Cuadrilla Resources Limited

Annual report and financial statements

Registered number 6472493

For the year ended 31 December 2013

Contents

Strategic report

During the year, the Company's subsidiaries have continued their exploration programme at a number of sites in Europe

On 13 June 2013, Centrica plc acquired Bowland Resources Limited, a subsidiary of the Company, and became a 25% investment partner in the Lancashire Bowland shale gas exploration area Centrica paid Cuadrilla £30 million in cash and committed to fund £60 million of expenditure on the Bowland licence from the transaction effective date of 1 January 2013 (of which Cuadrilla's share is £33 75 million) A further contingent payment of £60 million (of which Cuadrilla's share is £45 million) will be paid by Centrica subject to certain operational milestones having been reached

The ownership of the Bowland licence before and after the transaction is summarised as below

Owner	Ownership before transaction	Ownership after transaction
	%	%
Cuadrilla	*75 00*	*56 25*
A J Lucas	*25 00*	*18 75*
Centrica	-	*25 00*
	100 00	*100 00*

Prior to disposal the Company waived an amount of outstanding intercompany debt with Bowland Resources Limited of $32,435,000 After deducting the transaction costs, the profit on disposal of Bowland Resources Limited is $13,964,000

The result for the year is a loss of $23,162,000 *(2012 $76,000)* The Directors do not recommend the payment of a dividend

Principal risks and uncertainties

From the perspective of the Company, principal risks and uncertainties are integrated with the principal risks of the Cuadrilla group and are not managed separately Accordingly, the principal risks and uncertainties of Cuadrilla Resources Holdings Limited, which include those of the Company, are discussed in the directors' report of the group's financial statements which does not form part of this report

Key Performance Indicators ("KPIs")

The directors of Cuadrilla Resources Holdings Limited manage the group's operations on a combined basis For this reason, the company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate

The Directors have reviewed the forecast cash requirements of the group for the 12 months following the date of signing these accounts and, after making appropriate enquiries, they have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment

By order of the board

Andrew Price
Director

27 May 2014

Directors' report

The directors of Cuadrilla Resources Limited (the "Company") present their strategic report, directors' report and financial statements for the year ended 31 December 2013

Principal activities

The principal activity of the Company is the provision of management services to its subsidiary companies who are involved in the exploration of onshore oil and gas

Directors

The directors who held office in the period to the date of this report were as follows

Francis Egan	
Anthony Carruthers	
Andrew Price	
Andrew Quarles van Ufford	(appointed 21st May 2013)
Dennis Carlton	(resigned 16th February 2013)
Mark Miller	(resigned 28th February 2013)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

Andrew Price
Director

Cuadrilla House
Stowe Court
Stowe Street
Lichfield
Staffordshire
WS13 6AQ

27 May 2014

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report and Director's Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare financial statements in accordance with IFRSs as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Cuadrilla Resources Limited

We have audited the financial statements of Cuadrilla Resources Limited for the year ended 31 December 2013 set out on pages 7 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/auditscopeukprivate_

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Cuadrilla Resources Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants

27 May 2014

Income statement and comprehensive income

for the year ended 31 December 2013

	Note	2013 $000	2012 $000
Revenue	*1*	***7,002***	*6,191*
Gross profit		***7,002***	*6,191*
Operating expenses		***(2,385)***	*(1,774)*
Administrative expenses		***(4,903)***	*(4,511)*
Waiver of intercompany loans		***(32,435)***	-
Provision for impairment of intercompany loans		***(4,485)***	-
Operating loss	*1,3,4,5*	***(37,206)***	*(94)*
Profit on disposal of subsidiary	*6*	***13,964***	-
Financial income	*7*	***80***	*18*
Loss before tax		***(23,162)***	*(76)*
Taxation	*8*	-	-
Loss for the year		***(23,162)***	*(76)*

The results above relate to continuing operations

The Company has no other income or expenses recognised in the year, other than those shown in the 'Income Statement and Comprehensive Income' above

The accompanying notes on pages 10 to 22 form an integral part of these financial statements

Balance sheet
at 31 December 2013

	Note	2013 $000	2012 $000
Non-current assets			
Property, plant and equipment	9	**185**	270
Intangible assets	10	**250**	45
Investments in subsidiaries	11	**102**	139
		537	454
Current assets			
Trade and other receivables	12	**93,948**	157,400
Cash		**13,964**	6,695
		107,912	164,095
Total assets		**108,449**	164,549
Current liabilities			
Trade and other payables	13	**(105,522)**	(138,460)
Total liabilities		**(105,522)**	(138,460)
Net assets		**2,927**	26,089
Equity attributable to equity holders of the parent			
Share capital	14	-	-
Capital contribution reserve	14	-	26,420
Retained profits	14	**2,927**	(331)
Total equity		**2,927**	26,089

These financial statements were approved by the board of directors on 27 May 2014 and were signed on its behalf by

Andrew Price
Director

Company registered number 6472493

The accompanying notes on pages 10 to 22 form an integral part of these financial statements

Cash flow statement

for the year ended 31 December 2013

	2013 $000	2012 $000
Cash flows from operating activities		
Loss for the year	**(23,162)**	(76)
Adjustments for		
Depreciation and amortisation	**160**	137
Foreign exchange (gains)/losses	**(582)**	107
Impairment of loans to subsidiaries	**4,485**	68
Waiver of intercompany loans	**32,435**	-
Profit on sale of subsidiary	**(13,964)**	-
Impairment of investments in subsidiaries	**37**	26
Financial income	**(80)**	18
Decrease/(increase) in trade and other receivables	**26,568**	(50,034)
(Decrease)/increase in trade and other payables	**(32,938)**	53,506
Net cash (outflow)/inflow from operating activities	**(7,041)**	3,752
Cash flows from investing activities		
Proceeds from disposal of subsidiary	**13,964**	-
Proceeds from disposal of property, plant and equipment	**8**	-
Purchases of property, plant and equipment	**(67)**	(157)
Purchases of intangible assets	**(221)**	(53)
Interest received	**44**	-
Net cash inflow/(outflow) from investing activities	**13,728**	(210)
Net increase in cash	**6,687**	3,542
Cash at start of year	**6,695**	3,260
Effect of exchange rate fluctuations on cash held	**582**	(107)
Cash at 31 December	**13,964**	6,695

The accompanying notes on pages 10 to 22 form an integral part of these financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

Cuadrilla Resources Limited (the "Company") is a company incorporated in and domiciled in the United Kingdom

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and applied in accordance with the provisions of the Companies Act 2006

The Company's financial statements are presented in US dollars, which is the Company's functional and presentation currency

Measurement convention

The financial statements are prepared on the historical cost basis Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell

Foreign currency

Transactions in foreign currencies are translated to the functional currencies of Company at the foreign exchange rate issued at by Her Majesty's Revenue & Customs at the beginning of the month in which the transaction occurs Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Foreign currency gains and losses are reported on a net basis within administrative costs

Investments

Investments in subsidiaries are stated at cost less impairment

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables and trade and other payables

Trade and other receivables

Trade and other receivables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

Trade and other payables

Trade and other payables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Property, plant and equipment

Tangible fixed assets are classified as property, plant and equipment These assets, which are not subject to depletion, are stated at cost less accumulated depreciation and accumulated impairment losses Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment Land is not depreciated The estimated useful lives are as follows

- Fixtures, fittings and equipment 4 years
- Motor vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible assets – computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised over the expected useful economic life of 4 years

Revenue

Revenue is recognised at the fair value of the consideration received or receivable from subsidiaries in respect of management services supplied during the period once the risks and rewards of the supply have been transferred

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Financing income

Financing income is interest receivable on funds invested

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

Notes *(continued)*

2 Business and geographical segments

The Company has a single class of business which is the provision of management services to its subsidiary companies who are involved in the exploration of oil and gas in Europe All sales are management charges to subsidiaries

3 Staff numbers and costs

The average number of persons (including executive directors) employed by the Company during the year was

	Number of employees	
	Company	
	2013	*2012*
Management	***23***	*19*

The aggregate payroll costs of these persons were as follows

	2013	*2012*
	$000	*$000*
Wages and salaries	***3,255***	*2,046*
Social security costs	***449***	*269*
Contributions to defined contribution plans	***343***	*79*
	4,047	*2,394*

4 Directors' remuneration

	2013	*2012*
	$000	*$000*
Directors' emoluments	***1,613***	*1,111*

No retirement benefits accrued to any of the directors under defined benefit pension schemes

5 Operating loss

Included in operating loss for the year are the following

	2013	*2012*
	$000	*$000*
Impairment of loans to subsidiaries	***4,485***	*68*
Loan waiver to subsidiary	***32,435***	*-*
Impairment of investments in subsidiaries	***37***	*26*
Depreciation of tangible fixed assets	***144***	*112*
Amortisation of intangible assets	***16***	*25*
Operating lease charges – land and buildings	***236***	*134*
Operating lease charges – motor vehicles	***18***	*7*
Foreign exchange (gains)/losses	***(582)***	*107*

Audit fees are borne by the parent company

Notes *(continued)*

6 Profit on disposal of subsidiary

On 13 June 2013, Centrica plc acquired Bowland Resources Limited, a subsidiary of the Company, and became a 25% investment partner in the Lancashire Bowland shale gas exploration area Centrica paid Cuadrilla £30 million in cash and committed to fund £60 million of expenditure on the Bowland licence from the transaction effective date of 1 January 2013 (of which Cuadrilla's share is £33 75 million) A further contingent payment of £60 million (of which Cuadrilla's share is £45 million) will be paid by Centrica subject to certain operational milestones having been reached After deducting transaction costs of $2,299,000 the profit arising on disposal is $13,964,000

The ownership of the Bowland licence before and after the transaction is summarised as below

Owner	Ownership before transaction	Ownership after transaction
	%	%
Cuadrilla	*75 00*	*56 25*
A J Lucas	*25 00*	*18 75*
Centrica	-	*25 00*
	100 00	*100 00*

7 Finance income

Recognised in income statement

	2013	*2012*
	$000	*$000*
Interest income on loan to subsidiary undertaking	***36***	*18*
Interest income on bank balances	***44***	-
	80	*18*

Notes *(contınued)*

8 Taxatıon

Recognised ın the ıncome statement

	2013 $000	2012 $000
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-

Reconcılıation of effective tax rate

	2013 $000	2012 $000
Loss before tax for the year	(23,162)	(76)
Tax usıng the UK corporatıon tax rate of 23 25% (2012 24 5%)	5,385	19
Tax losses brought forward offset ın the current year	-	11
Depreciatıon ın excess of capıtal allowances for whıch no deferred tax asset ıs recognısed	(24)	(7)
Non-deductıble expenses	(5,353)	(41)
Group relıef for losses	-	18
Current year losses for whıch no deferred tax asset ıs recognısed	(8)	-
Total tax expense	-	-

Reductıons ın the UK corporatıon tax rate from 26% to 24% (effectıve from 1 Aprıl 2012) and to 23% (effectıve 1 Aprıl 2013) were substantıvely enacted on 26 March 2012 and 3 July 2012 respectıvely Further reductıons to 21% (effectıve from 1 Aprıl 2014) and 20% (effectıve from 1 Aprıl 2015) were substantıvely enacted on 2 July 2013 Thıs wıll reduce the company's future current tax charge accordıngly Tax has been recorded at the effectıve blended rate for the perıod of 23 25% *(2012 24 5%)*

The Company has an unrecognısed deferred tax asset ın respect of losses and property, plant and equıpment of $79,000 *(2012 $49,000)* A deferred tax asset has not been recognısed as ıt ıs uncertaın when the company wıll be able to utılıse the losses

Notes *(continued)*

9 Property, plant and equipment

	Fixtures, fittings & equipment	*Motor vehicles*	*Total*
	$000	**$000**	**$000**
Cost			
Balance at 1 January 2012	*167*	*195*	*362*
Additions	*126*	*31*	*157*
Balance at 31 December 2012	*293*	*226*	*519*
Balance at 1 January 2013	*293*	*226*	*519*
Additions	*67*	-	*67*
Disposals	-	*(95)*	*(95)*
Balance at 31 December 2013	*360*	*131*	*491*
Depreciation			
Balance at 1 January 2012	*(75)*	*(62)*	*(137)*
Depreciation charge for the year	*(59)*	*(53)*	*(112)*
Balance at 31 December 2012	*(134)*	*(115)*	*(249)*
Balance at 1 January 2013	*(134)*	*(115)*	*(249)*
Depreciation charge for the year	*(75)*	*(69)*	*(144)*
Disposals	-	*87*	*87*
Balance at 31 December 2013	*(209)*	*(97)*	*(306)*
Net book value			
At 1 January 2012	*92*	*133*	*225*
At 31 December 2012 and 1 January 2013	*159*	*111*	*270*
At 31 December 2013	***151***	***34***	***185***

The depreciation charge is recognised within administrative costs for the year

Notes *(continued)*

10 Intangible assets

	Software $000
Cost	
At 1 January 2012	*78*
Additions	*53*
Balance at 31 December 2012	*131*
At 1 January 2013	*131*
Additions	*221*
Balance at 31 December 2013	***352***
Amortisation	
At 1 January 2012	*(61)*
Amortisation charge for the year	*(25)*
Balance at 31 December 2012	*(86)*
At 1 January 2013	*(86)*
Amortisation charge for the year	*(16)*
Balance at 31 December 2013	***(102)***
Net book value	
At 1 January 2012	*17*
At 31 December 2012 and 1 January 2013	*45*
At 31 December 2013	***250***

The amortisation charge is recognised within administrative costs for the year

Notes *(continued)*

11 Investments in subsidiaries

	Shares in subsidiary undertakings
	2013
	$000
Cost and net book value	
Balance at 1 January 2013	***139***
Disposals	***(37)***
At 31 December 2013	***102***

Disposals of 100% subsidiaries in the year during include Bowland Resources Limited, a company incorporated in the UK as described in note 6 and Cuadrilla Deutschland GmbH, a company incorporated in Germany which was in liquidation at the year end

Principal subsidiaires

Details of the Company's principal subsidiaries at 31 December 2013 are as follows

	Country of Incorporation	*Nature of business*	*Class of shares held*	*Ownership*
Cuadrilla Well Services Limited	*UK*	*Services for oil and gas exploration*	*Ordinary*	*100%*
*Cuadrilla Elswick Limited***	*UK*	*Electricity production*	*Ordinary*	*100%*
*Cuadrilla Balcombe Limited***	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
*Cuadrilla Weald Limited***	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Bowland Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Susquehanna Natural Resources Co	*USA*	*Services for oil and gas exploration*	*Ordinary*	*100%*
*Cuadrilla Hardenburg BV***	*Netherlands*	*Oil and gas exploration*	*Ordinary*	*100%*
*Cuadrilla Brabant BV***	*Netherlands*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Poland Sp Zo o	*Poland*	*Oil and gas exploration*	*Ordinary*	*100%*
*Cuadrilla Morova SRO**	*Czech Republic*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Hungary Limited	*UK*	*Investment holding*	*Ordinary*	*100%*
Cuadrillco Limited	*UK*	*Not trading*	*Ordinary*	*100%*

*90% of ordinary share capital is owned by the Company directly and 100% is owned indirectly

** subsidiary has changed name as described below

Change of subsidiary names

The following subsidiaries changed their names in 2013 as part of the unification of the Cuadrilla brand

Previous name	*New name*
Elswick Resources Limited	*Cuadrilla Elswick Limited*
Bolney Resources Limited	*Cuadrilla Balcombe Limited*
Tanglewood Resources Limited	*Cuadrilla Weald Limited*
Hardenburg Resources BV	*Cuadrilla Hardenburg BV*
Brabant Resources BV	*Cuadrilla Brabant BV*

Notes *(continued)*

12 Trade and other receivables

	2013 $000	2012 $000
Current		
Trade receivables due from related parties (note 18)	***84,180***	*155,133*
Prepayments	***272***	*132*
Other receivables due from related parties (note 18)	***336***	*336*
Other receivables	***9,160***	*1,799*
	93,948	*157,400*

All trade and other receivables are current

13 Trade and other payables

	2013 $000	2012 $000
Current		
Trade payables	***3,834***	*11,493*
Amounts due to immediate parent company	***101,090***	*126,600*
Social security and other taxes	***303***	*182*
Accrued expenses	***295***	*185*
	105,522	*138,460*

Amounts due to the immediate parent company relate to the settlement of liabilities on behalf of the Company The amounts bear no interest and are repayable on demand See Note 1 relating to the parent company's ongoing financial support

Notes *(continued)*

14 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital $000	*Capital contribution reserve $000*	*Retained profits $000*	*Total Equity $000*
Balance at 1 January 2012	-	26,420	(255)	26,165
Total recognised income and expense	-	-	(76)	(76)
Balance at 31 December 2012	-	26,420	(331)	26,089
Balance at 1 January 2013	-	26,420	(331)	26,089
Reserves transfer	-	(26,420)	26,420	-
Total recognised income and expense	-	-	(23,162)	(23,162)
Balance at 31 December 2013	-	-	2,927	2,927

The Capital contribution reserve arose due to the Company receiving a waiver of an intercompany debt of $26,420,000 and has been transferred to retained profits during 2013

Share capital

Ordinary shares

	2013 number	*2012 number*
On issue at 31 December – fully paid	100	100

	2013 $	*2012 $*
Allotted, called up and fully paid Ordinary shares of $1 50 each	150	150

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

Notes *(continued)*

15 Financial instruments

15(a) Fair value of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Fair values

The fair values of financial assets and liabilities are considered to be the same as the carrying amounts

15(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers

The Company has no significant exposure to credit risk at 31 December 2013

15(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

The Company's most significant creditor is an intercompany balance with its parent company, which although it is repayable on demand, the parent company has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available

15(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments

Exposure to interest rate risks arise in the normal course of the Company's business The Company's exposure to foreign currency risk is not considered significant

15(e) Capital management

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Holdings Limited, the Company's parent Management have reviewed the forecast cash requirements of the group for the following 12 months and have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment

Notes *(continued)*

16 Operating lease commitments

The Company leases land, buildings and vehicles under a number of operating leases During the year $254,000 *(2012 $141,000)* was recognised as an expense in the income statement in respect of leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2013	*2012*
	$000	*$000*
Less than one year	***121***	*89*
Between one and five years	***64***	*82*
	185	*171*

17 Contingencies

The Company is part of a group registration for VAT

18 Related parties

Management fees

The Company has recognised income of $7,002,000 in respect of management fees *(2012 $6,191,000)* Management fees are charges for operational and administrative services provided by the Company to subsidiary companies The management fees are agreed to by both parties and are recorded at a value equivalent to the cost to the Company

Directors and key management loans

The Company has advanced loans to key management and directors of the Company of $336,000 *(2012 $336,000)* to enable them to participate in the equity of the parent company These loans are interest free

Other related party transactions

	Receivables outstanding		***Payables outstanding***	
	2013	*2012*	***2013***	*2012*
	$000	*$000*	***$000***	*$000*
Immediate parent company	**-**	-	***101,090***	*126,600*
Subsidiaries	***83,619***	*155,133*	**-**	-
AJ Lucas Group Limited (see note 19)	***561***	-	**-**	-
	84,180	*155,133*	***101,090***	*126,600*

All intercompany accounts are current

Notes *(continued)*

19 Ultimate parent company and parent company of larger group

The company is a subsidiary of Cuadrilla Resources Holdings Limited which is jointly controlled by its shareholders

- Lucas Cuadrilla PTY Limited (45%),
- Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP (45%), and
- Management team and employees (10%)

The largest and smallest consolidated financial statements into which the results of the Company are consolidated are those of the ultimate parent company, Cuadrilla Resources Holdings Limited Cuadrilla Resources Holdings Limited is a company incorporated in the United Kingdom and copies of the consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ