

Cuadrilla Well Services Limited

Annual report and financial statements

Registered number 6811574

For the year ended 31 December 2017

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Strategic report

The result for the year is a loss of \$2,992,000 (2016: loss \$2,998,000). The Directors do not recommend the payment of a dividend.

The Company owns oil and gas exploration plant and machinery.

All working capital funding for capital expenditure and general activity is provided to the Company by the parent company.

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, notwithstanding net liabilities of \$45,662,000, which the directors believe to be appropriate for the following reasons.

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Limited, the Company's parent. Cuadrilla Resources Limited 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.

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.

Based on the above reasons, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

By order of the board



Francis Egan
Director

23 May 2018

Directors' report

The directors of Cuadrilla Well Services Limited (the "Company") present their strategic report, directors' report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is the provision of services for the exploration and appraisal of oil and gas assets.

Directors

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

Francis Egan	
Andrew Quarles van Ufford	(resigned 5 May 2017)
Mark Lappin	(appointed 8 May 2017)

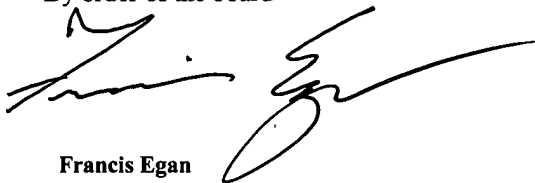
Disclosure of information to auditor

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



Francis Egan
Director

Cuadrilla House
Unit 6 Sceptre Court
Sceptre Way
Bamber Bridge
Preston
PR5 6AW

23 May 2018

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such 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
United Kingdom

Independent auditor's report to the members of Cuadrilla Well Services Limited

Opinion

We have audited the financial statements of Cuadrilla Well Services Limited ("the company") for the year ended 31 December 2017 which comprise the income statement, balance sheet, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Cuadrilla Well Services Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
25 May 2018

Income statement and comprehensive income
for the year ended 31 December 2017

	Note	Year ended 31 December 2017 \$000	Year ended 31 December 2016 \$000
Revenue		156	-
Depreciation		(2,709)	(2,697)
Other cost of sales		-	-
Gross loss		(2,553)	(2,697)
Operating expenses		(422)	(252)
Administrative expenses		(17)	(49)
Operating loss	1,4	(2,992)	(2,998)
Taxation	5	-	-
Loss for the year		(2,992)	(2,998)

The results above relate to continuing operations.

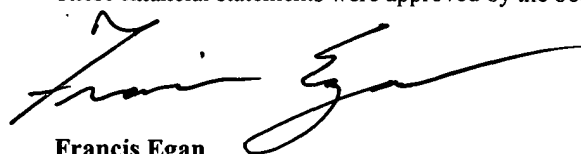
The Company has no other income or expenses recognised in the year, other than those shown in the 'Income Statement and Comprehensive Income' above.

The accompanying notes on pages 8 to 17 form an integral part of these financial statements.

Balance sheet
at 31 December 2017

	<i>Note</i>	<i>2017</i> <i>\$000</i>	<i>2016</i> <i>\$000</i>
Non-current assets			
Property, plant and equipment	6	7,301	10,010
Current assets			
Trade and other receivables	7	4	-
Inventories	8	-	2
Total assets		<u>7,305</u>	<u>10,012</u>
Current liabilities			
Trade and other payables	9	(52,967)	(52,682)
Total liabilities		<u>(52,967)</u>	<u>(52,682)</u>
Net liabilities		<u>(45,662)</u>	<u>(42,670)</u>
Equity attributable to equity holders of the parent			
Share capital	10	-	-
Retained losses	10	(45,662)	(42,670)
Total equity		<u>(45,662)</u>	<u>(42,670)</u>

These financial statements were approved by the board of directors on 23 May 2018 and were signed on its behalf by:



Francis Egan
Director

Registered number: 6811574

The accompanying notes on pages 8 to 17 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Cuadrilla Well Services 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.

Going concern

The Company’s business activities, together with the factors likely to affect its future developments, performance and position are set out in the strategic report on page 1.

Notwithstanding that at the year end the Company had net liabilities of \$45,662,000 the statutory accounts have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons:

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Limited, the Company’s parent. Cuadrilla Resources Limited 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.

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.

Based on the above reasons, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The Company has not prepared a cash flow statement as it has not engaged in any cash transactions during the year. Expenses have been paid by the immediate parent company on behalf of the Company and settled through intercompany account.

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.

Notes (continued)

1 Accounting policies (continued)

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, used in exploration and evaluation activities (such as drilling rigs and associated equipment) are classified as property, plant and equipment. These assets 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 charge to the income statement on a straight line bases over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follow:

- Plant and equipment 10 years
- Fixtures, fittings and equipment 4 years
- Motor vehicles 4 years

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Revenue

Revenue is recognised at the fair value of the consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer in respect of plant and machinery hired during the year. Sales to related companies are carried out at arm's length.

Notes (continued)

1 Accounting policies (continued)

Expenses

Foreign currency gains and losses are reported on a net basis within administrative 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.

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 services for the exploration of oil and gas. The Company operates in one geographical area – Europe.

3 Staff costs and directors remuneration

The Company had no employees during the current or prior year. No directors received any remuneration in respect of services to the Company.

4 Expenses and auditor's remuneration

Included in loss for the year are the following:

	2017	2016
	\$000	\$000
<i>Loss on disposal of tangible fixed assets</i>	-	5
<i>Depreciation of tangible fixed assets</i>	2,709	2,697
<i>Operating lease charges – land and buildings</i>	124	-
<i>Management fees</i>	15	15
<i>Foreign exchange losses/(gains)</i>	2	(4)

Management fees are charges from group companies for services provided to the Company. The Directors consider that the management fees are charged on an arms length basis.

Audit fees are borne by the ultimate parent company – Cuadrilla Resources Holdings Limited.

Notes (continued)

5 Taxation

Recognised in the income statement

	2017 \$000	2016 \$000
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-

Reconciliation of effective tax rate

	2017 \$000	2016 \$000
Loss before tax for the year	(2,992)	(2,998)
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	576	600
Depreciation in excess of capital allowances for which no deferred tax asset is recognised	(521)	(538)
Current year losses for which no deferred tax asset is recognised	(55)	(62)
Total tax expense	-	-

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

No provision for tax has been made as the Company has estimated accumulated tax losses of \$23,104,000 (2016: \$22,819,000) which are available for offset against future taxable income. A deferred tax asset has not been recognised as it is uncertain when the Company will be able to utilise the losses. The Company also has an unrecognised deferred tax asset in respect of property, plant and equipment of \$4,274,000 (2016: \$3,308,000).

Notes (continued)

6 Property, plant and equipment

	Plant and machinery	Motor vehicles	Total
	\$000	\$000	\$000
Cost			
Balance at 1 January 2016	27,687	26	27,713
Disposals	(290)	(26)	(316)
Balance at 31 December 2016	27,397	-	27,397
Balance at 1 January 2017	27,397	-	27,397
Disposals	-	-	-
Balance at 31 December 2017	27,397	-	27,397
Depreciation			
Balance at 1 January 2016	(14,862)	(26)	(14,888)
Disposals	172	26	198
Depreciation charge for the year	(2,697)	-	(2,697)
Balance at 31 December 2016	(17,387)	-	(17,387)
Balance at 1 January 2017	(17,387)	-	(17,387)
Depreciation charge for the year	(2,709)	-	(2,709)
Balance at 31 December 2017	(20,096)	-	(20,096)
Net book value			
At 31 December 2016	10,010	-	10,010
At 31 December 2017	7,301	-	7,301

The depreciation charge for plant and machinery of \$2,709,000 (2016: \$2,697,000) is recognised within cost of sales for the year.

Notes (continued)

7 Trade and other receivables

	2017 \$000	2016 \$000
<i>Current</i>		
<i>Trade receivables</i>	4	-
	<u> </u>	<u> </u>

8 Inventories

	2017 \$000	2016 \$000
<i>Raw materials and consumables</i>	-	2
	<u> </u>	<u> </u>

9 Trade and other payables

	2017 \$000	2016 \$000
<i>Current</i>		
<i>Amounts due to immediate parent company</i>	52,844	52,645
<i>Non-trade payables and accrued expenses</i>	123	37
	<u> </u>	<u> </u>
	<u>52,967</u>	<u>52,682</u>

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.

Amounts due to fellow subsidiary undertakings relate to management fees and are also repayable on demand and bear no interest.

Notes (continued)

10 Capital and reserves

Reconciliation of movement in capital and reserves

	<i>Share capital \$000</i>	<i>Retained losses \$000</i>	<i>Total Equity \$000</i>
<i>Balance at 1 January 2016</i>	-	(39,672)	(39,672)
<i>Total recognised income and expense</i>	-	(2,998)	(2,998)
<i>Balance at 31 December 2016</i>	-	(42,670)	(42,670)
<i>Balance at 1 January 2017</i>	-	(42,670)	(42,670)
<i>Total recognised income and expense</i>	-	(2,992)	(2,992)
<i>Balance at 31 December 2017</i>	-	(45,662)	(45,662)

Share capital

Ordinary shares

	<i>2017 number</i>	<i>2016 number</i>
<i>On issue at 31 December – fully paid</i>	<i>100</i>	<i>100</i>
	<i>2017 \$</i>	<i>2016 \$</i>
<i>Allotted, called up and fully paid Ordinary shares of \$1 each</i>	<i>100</i>	<i>100</i>

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)

11 Financial instruments

11(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.

11(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 had no exposure to credit risk at 31 December 2017.

11(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 creditors is an intercompany balance with the parent company, which although it is documented as 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.

11(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 transactions are denominated in US\$ and exposure to foreign currency risk is not considered significant.

11(e) Capital management

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources 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)

12 Operating lease commitments

The Company leases land and buildings under an operating lease. During the year \$124,000 was recognised as an expense in the income statement in respect of the lease.

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

	2017 \$000	2016 \$000
<i>Less than one year</i>	<u>21</u>	<u>-</u>

13 Contingencies

The Company is part of a group registration for VAT.

14 Related parties

For the year ended 31 December 2017, the following related party transactions took place:

	<i>Management fees</i>		<i>Payables outstanding</i>	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<i>Immediate parent company</i>				
<i>Cuadrilla Resources Limited</i>	<u>15</u>	<u>15</u>	<u>52,844</u>	<u>52,645</u>

The terms of the parent company intercompany account and the management fee arrangements are both disclosed elsewhere in these financial statements.

15 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Cuadrilla Resources Limited, a company incorporated in the United Kingdom. The ultimate parent company of the group is Cuadrilla Resources Holdings Limited which is jointly controlled by its shareholders:

- Lucas Cuadrilla PTY Limited (47%);
- Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP (45%); and
- Management team and employees (8%).

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.