

Cuadrilla Resources Limited

Annual report and financial statements

Registered number 6472493

For the year ended 30 June 2022

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Strategic report

The Directors present their strategic report for the year ended 30 June 2022.

Business review

Cuadrilla Resources Limited (“the Company”) is a holding company for a group of subsidiaries which are involved in the exploration and appraisal of various onshore oil and gas licences.

On the 2nd November 2019, the UK Government imposed a moratorium on further hydraulic fracturing in England and the North Sea Transition Authority (NSTA) advised onshore shale gas explorers that new scientific evidence would be required to demonstrate that hydraulic fracturing can be conducted safely before it recommends lifting the moratorium.

In April 2022 the Secretary of State (SoS) at the Department for Business, Energy and Industrial Strategy (BEIS) wrote to the British Geological Survey (BGS) initiating a review of the “geological science of shale gas fracturing and the modelling of seismic activity in shale rocks in the UK.”

The BGS report was published by the Government in September 2022. It concluded that the limited number of hydraulic fracturing operations in the UK (only 3 exploratory wells) “*made it impossible to determine with statistical significance the rates of occurrence of induced seismicity from hydraulic fracturing operations in the UK*”.

In response to the above scientific conclusion from the BGS the Government announced, on the 22nd of September 2022, that “*it was clear that we need more sites drilled in order to gather better data and improve the evidence base*” and that it was lifting the moratorium on hydraulic fracturing to allow wells to be drilled and fracked and the required data to be gathered.

Some five weeks later, on the 27th of October 2022, following a change of Prime Minister and with no new scientific advice having been requested or produced, the Government announced that it was reimposing the moratorium on hydraulic fracturing “*until compelling new evidence is provided which addresses the concerns around the prediction and management of induced seismicity*”.

The Company consequently finds itself trapped in a “Catch-22” position where the Government accepts, based on advice from its leading scientific advisory body, that more wells must be drilled and fractured in order to gather the necessary scientific evidence, whilst at the same time requiring that no new wells can be fractured until the necessary scientific evidence has been gathered. We continue to engage with the Government, regulators and other industry players to try and resolve this conundrum and continue to advocate for much needed domestic gas production consistent with the UK goal of Net Zero CO₂ by 2050.

Post balance sheet event

In light of the decision to lift and reimpose the moratorium within a five-week period, the ongoing political churn and policy changes experienced in the UK and the lack of discernible political will within the governing Conservative Party to progress onshore shale gas exploration in the foreseeable future, AJ Lucas Group Limited (AJL) undertook a review of the carrying value of its investment in exploration assets. Following this review, AJL concluded that it is appropriate to recognise an impairment in the carrying value of its onshore shale gas exploration assets to comply with relevant applicable accounting standards as at 31 December 2022.

The decision to impair these assets will also have implications on the recoverability of the intercompany receivable balances which are currently being assessed by management for impairment in light of this event. This information is disclosed as a non-adjusting post balance sheet event and subsequently no change has been made to the financials as at 30 June 2022.

Principal risks and uncertainties

As a subsidiary of AJL, the principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of AJL. The AJL Board has established policies on risk management. The AJL Board and the AJL Audit and Risk Committee monitor risk exposure and ensure that the risk management system is operating effectively. A copy of the risk statement is available in the shareholder information section of AJL’s website - www.lucas.com.au.

Strategic report (continued)

Principal risks and uncertainties (continued)

The principal risks and uncertainties of the Company are summarised as follows:

- **Government moratorium** - In response to a scientific assessment and report which it had commissioned from the British Geological Survey, the Government announced, on the 22nd of September 2022, that “*it was clear that we need more sites drilled in order to gather better data and improve the evidence base*” and that it was lifting the moratorium on hydraulic fracturing to allow wells to be drilled and fracked and the required data to be gathered.

Some five weeks later, on the 27th of October 2022, following a change of Prime Minister and with no new scientific advice having been requested or produced, the Government announced that it was reimposing the moratorium on hydraulic fracturing “*until compelling new evidence is provided which addresses the concerns around the prediction and management of induced seismicity*”.

A return to the Government position, as enunciated on 22nd September 2022, would be required to progress appraisal and development of onshore shale gas licences. The Company continues to engage with other operators, regulators and the Government on this issue.

- **Exploration and appraisal risk** - The assessment of resources and reserves is inherently uncertain. The Company manages the risk of geological uncertainties in the exploration and appraisal phase by forming joint operating agreements with partners who have extensive expertise and experience and through the collection and extensive analysis of geological and seismic data, geo-mechanical studies, physical and chemical laboratory analyses and reservoir engineering data.
- **Climate Change** - The Government has a legal obligation to meet a target of Net Zero CO₂ by 2050. This will lead to a reduction in gas consumption and a requirement to capture and/or offset the CO₂ emissions from burning gas. Notwithstanding this, the Government and Climate Change Committee forecast a continuing and significant role for natural gas in the UK energy supply mix out to 2050 and beyond. Domestic shale gas has the potential to replace more expensive and higher CO₂ generating imported gas in meeting that gas demand.
- **Regulatory risk** – Through its drilling, hydraulic fracture stimulation and well testing operations, there is exposure to planning, licensing, regulatory, environmental and other legislative risks. Although a very robust legislative and regulatory framework is in place in the UK, the challenge is in ensuring the co-ordination between all regulators for timely and efficient decision making. The Board places considerable importance on maintaining the highest standards of regulatory compliance and developing successful working relationships with local communities and local and national government authorities.
- **Financial risk** – The Company is currently a pre-production exploration company with no sustainable income stream. It is therefore reliant on the financial support of its parent company AJL to continue to operate. AJL has provided this support since the formation of the Company and has advised that it will continue to do so for 12 months from the date of approval of these financial statements.
- **Currency, interest rate and credit risks** are not considered to be significant at the current time.

Strategic report *(continued)*

Key Performance Indicators (“KPIs”)

In the current year, the directors focused on three key priorities as follows:

- Maintaining active dialogue with the Government, regulators, industry peers, media, politicians, and the public on the pressing need for, and potential benefits of, exploration, appraisal and production of the extensive shale gas resource stretching across the North of England and for the urgent requirement to lift the moratorium on hydraulic fracturing.
- Assessing alternative uses for existing shale gas exploration sites and shale exploration licenses. These could include repurposing wells for geothermal, using existing sites to site electricity battery storage and/or solar generation installations and assessing / developing conventional gas prospects on existing licenses that could be developed/produced without the need for hydraulic fracturing.
- Maintaining existing exploration licences and facilities in good working order whilst keeping overhead and operating costs to manageable levels.

Going concern

The directors have prepared cashflow forecasts for the 12-month period to 30 June 2024. The Company’s parent, AJL, has provided a letter of support to the Company indicating that for 12 months from the date of approval of these financial statements i.e., to 30 June 2024, AJL will continue to provide the necessary financial support to enable the Company to trade and meet its liabilities as they fall due.

The directors of the Company acknowledge that there are material uncertainties that may cast doubt upon the Company’s ability to continue as a going concern due to the considerations which have been assessed by AJL, as set out in the AJL Group Interim Report for the half year ended 31 December 2022. The directors are of the view that these do not have any impact on AJL’s ability to provide the financial support to the Company as set out in the support letter and therefore continue to adopt the going concern basis in preparing these financial statements. These financial statements do not contain the adjustments that would result if the Company were unable to continue as a going concern.

The financial support commitment obtained from AJL will ensure that the Company has sufficient resources available at the signing date of the financial statements to pay 12 months of forecast liabilities. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the board



Francis Egan
Director

5 June 2023

Directors' report

The directors of the Company present their directors' report and financial statements for the year ended 30 June 2022.

Results and dividends

The result for the year is a loss of £127,000 (*year ended 30 June 2021: profit £115,000*). The Directors do not recommend the payment of a dividend.

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
Julian Ball

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

During the period MHA was appointed as auditor of the Company.

Pursuant to Section 487 of the Companies Act 2006, MHA will be deemed to be reappointed and will therefore continue in office.

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next board meeting.

By order of the board



Francis Egan
Director

3000 Aviator Way
Wythenshawe
Manchester
M22 5TG

5 June 2023

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

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with UK adopted International Financial Reporting Standards ("IFRSs") and with the Companies Act 2006, as applicable to companies reporting under international accounting standards. 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 year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUADRILLA RESOURCES LIMITED

Opinion

We have audited the financial statements of Cuadrilla Resources Limited (the 'Company') for the year ended 30 June 2022, which comprise: the Income Statement and Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity, and the related Notes 1 to 18, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Financial Reporting Standards ("UK adopted IFRS") and, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Financial Reporting Standards (IFRSs); 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to Note 1 in the financial statements which states that the Company relies on support from the parent Company, AJ Lucas Group Limited (AJL), which has disclosed material uncertainties in its latest financial statements. We note that in April 2023, AJL successfully refinanced its debt obligations, these now mature in 2025. Whilst AJL has provided a letter of support that it will continue to provide the necessary financial support to enable the Company to trade and meet any liabilities as they fall due, this is not a legally binding document and therefore there is a material uncertainty on whether the required financial support will be provided.

The uncertainty of this together with other matters set out in the note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUADRILLA RESOURCES LIMITED *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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 an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUADRILLA RESOURCES LIMITED *(continued)*

Auditor responsibilities for the audit of the financial statements *(continued)*

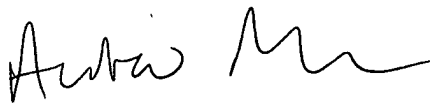
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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.



Andrew Moyser FCA FCCA (Senior Statutory Auditor)

for and on behalf of MHA, Statutory Auditor

London, United Kingdom

5 June 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Income statement and comprehensive income
for the year ended 30 June 2022

	<i>Year ended</i>	<i>Year ended</i>
	<i>Note</i>	<i>30 June 2021</i>
		<i>£000</i>
Revenue	2	384
<i>Administrative expenses</i>		(512)
Operating loss	5	(128)
<i>Finance income</i>	6	2
<i>Finance expenses</i>	6	(1)
Loss before tax		(127)
<i>Taxation</i>	7	-
Profit/(loss) for the year		(127)

The results above relate to continuing operations.

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

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

Balance sheet
at 30 June 2022

	<i>Note</i>	2022 £000	2021 £000
Non-current assets			
<i>Investments in subsidiaries</i>	<i>10</i>	<i>1</i>	<i>1</i>
		<hr/>	<hr/>
		<i>1</i>	<i>1</i>
		<hr/>	<hr/>
Current assets			
<i>Trade and other receivables</i>	<i>11</i>	<i>63,541</i>	<i>63,085</i>
<i>Cash</i>		<i>644</i>	<i>1,340</i>
		<hr/>	<hr/>
		<i>64,185</i>	<i>64,425</i>
		<hr/>	<hr/>
Total assets		<u>64,186</u>	<u>64,426</u>
Current liabilities			
<i>Trade and other payables</i>	<i>12</i>	<i>(110,037)</i>	<i>(110,141)</i>
<i>Bank loans</i>	<i>13</i>	<i>(10)</i>	<i>(9)</i>
		<hr/>	<hr/>
Total current liabilities		<u>(110,047)</u>	<u>(110,150)</u>
Non-current liabilities			
<i>Bank loans</i>	<i>13</i>	<i>(30)</i>	<i>(40)</i>
		<hr/>	<hr/>
Total liabilities		<u>(110,077)</u>	<u>(110,190)</u>
		<hr/>	<hr/>
Net liabilities		<u>(45,891)</u>	<u>(45,764)</u>
		<hr/>	<hr/>
Equity attributable to equity holders of the parent			
<i>Share capital</i>	<i>14</i>	<i>-</i>	<i>-</i>
<i>Retained losses</i>	<i>14</i>	<i>(45,891)</i>	<i>(45,764)</i>
		<hr/>	<hr/>
Total deficit		<u>(45,891)</u>	<u>(45,764)</u>
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 5 June 2023 and were signed on its behalf by:



Francis Egan
Director

Company registered number: 6472493

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

Cash flow statement
for the year ended 30 June 2022

	<i>Year ended</i> 30 June 2022	<i>Year ended</i> 30 June 2021
	<i>£000</i>	<i>£000</i>
<i>Cash flows from operating activities</i>		
<i>Loss before tax for the year</i>	(127)	(195)
<i>Adjustments for:</i>		
<i>Foreign exchange losses/(gains)</i>	(35)	27
<i>Reduction/(increase) in expected credit loss provision for receivables</i>	8	(10)
<i>Finance income</i>	(2)	(1)
<i>Finance expenses</i>	1	4
<i>Decrease/(increase) in trade and other receivables</i>	(460)	1,411
<i>Decrease in trade and other payables</i>	(73)	(665)
	<hr/>	<hr/>
	(688)	571
 <i>Tax received</i>	 -	 560
	<hr/>	<hr/>
<i>Net cash inflow/(outflow) from operating activities</i>	(688)	1,131
	<hr/>	<hr/>
<i>Cash flows from investing activities</i>		
<i>Finance income</i>	2	1
	<hr/>	<hr/>
<i>Net cash inflow from investing activities</i>	2	1
	<hr/>	<hr/>
<i>Cash flows from financing activities</i>		
<i>Interest paid</i>	(1)	(4)
<i>(Repayment of)/proceeds from bank borrowings</i>	(9)	(1)
	<hr/>	<hr/>
<i>Net cash outflow from investing activities</i>	(10)	(5)
	<hr/>	<hr/>
 <i>Net increase/(decrease) in cash</i>	 (696)	 1,127
<i>Cash at start of year</i>	1,340	213
<i>Effect of exchange rate fluctuations on cash held</i>	-	-
	<hr/>	<hr/>
<i>Cash at end of year</i>	644	1,340
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 30 June 2022

	<i>Share capital £000</i>	<i>Retained losses £000</i>	<i>Total Equity £000</i>
<i>Balance at 1 July 2020</i>	-	(45,879)	(45,879)
<i>Total recognised income and expense for the year</i>	-	115	115
	<hr/>	<hr/>	<hr/>
<i>Balance at 30 June 2021</i>	-	(45,764)	(45,764)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Balance at 1 July 2021</i>	-	(45,764)	(45,764)
<i>Total recognised income and expense for the year</i>	-	(127)	(127)
	<hr/>	<hr/>	<hr/>
<i>Balance at 30 June 2022</i>	-	(45,891)	(45,891)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The Company is incorporated as a private limited company, limited by shares, registered in England.

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards (“IFRSs”) adopted for use in the United Kingdom (“UK adopted IFRS”) and with the Companies Act 2006, as applicable to companies reporting under international accounting standards.

The financial statements are presented in Pound Sterling (£), the Company's functional currency, and all values are rounded to the nearest thousand except where otherwise indicated.

The functional currency is determined as the currency of the primary economic environment in which it operates. The majority of the Company's operating activities are conducted in Pound Sterling.

The Company has taken the exemption from presenting consolidated accounts as, at the date of this report, group accounts are prepared by AJL, the ultimate parent company.

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.

The financial statements have been prepared on the going concern basis, notwithstanding losses for the year of £127,000 and net liabilities of £45,891,000, which the directors believe to be appropriate for the following reasons:

The directors have prepared cashflow forecasts for the 12-month period to 30 June 2024. The Company's parent, AJL, has provided a letter of support to the Company indicating that for 12 months from the date of approval of these financial statements i.e., to 30 June 2024, AJL will continue to provide the necessary financial support to enable the Company to trade and meet its liabilities as they fall due.

The directors of the Company acknowledge that there are material uncertainties that may cast doubt upon the Company's ability to continue as a going concern due to the considerations which have been assessed by AJL, as set out in the AJL Group Interim Report for the half year ended 31 December 2022. The directors are of the view that these do not have any impact on AJL's ability to provide the financial support to the Company as set out in the support letter and therefore continue to adopt the going concern basis in preparing these financial statements. These financial statements do not contain the adjustments that would result if the Company were unable to continue as a going concern.

The financial support commitment obtained from AJL will ensure that the Company has sufficient resources available at the signing date of the financial statements to pay 12 months of forecast liabilities. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the functional currencies of Company at the foreign exchange rate issued by the Bank of England 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 are recognised initially at fair value, less any impairment losses.

IFRS 9 'Financial Instruments' requires an expected credit loss model. Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Expected credit losses are discounted at the effective interest rate of the financial asset.

Under IFRS 9, loss allowances are measured on either expected credit losses that result from possible default events within 12 months after the reporting date or lifetime expected credit losses that result from all possible default events over the life of a financial instrument.

Lifetime expected credit loss measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition. Lifetime expected credit loss measurement also applies to financial assets recognised at amortised cost, which includes trade receivables and contract assets.

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. The estimated useful lives of items of fixtures, fittings and equipment is 4 years.

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

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.

Notes (continued)

1 Accounting policies (continued)

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.

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.

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.

IFRS 16 – Leases

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, any initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term, calculated using the group's incremental borrowing rate at the commencement of the lease if the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments less any lease incentives receivables.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes (continued)

1 Accounting policies (continued)

Adopted IFRS not yet applied

At the date of the approval of these financial statements, the following IFRSs which have not yet been applied in these financial statements, were in issue, but not yet effective:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- IFRS 17 Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimate
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors anticipate that adoption of all Standards and Interpretations, as listed above, will not have a material impact on the financial statements of the Company in future periods.

Use of estimates and judgements

The preparation of the financial statements in conformity with the IFRS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 16 – IFRS 9 Expected Credit Loss provisions

2 Revenue, 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 the UK. All revenue is 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:

	<i>Number of employees</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>
Management and operational support	3	6
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

The aggregate payroll costs of these persons were as follows:

	<i>Year ended</i>	<i>Year ended</i>
	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>£000</i>	<i>£000</i>
<i>Wages and salaries</i>	356	405
<i>Social security costs</i>	36	58
<i>Contributions to defined contribution plans</i>	13	16
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>
	405	479
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

Income from government grants as a result of the Covid-19 pandemic, specifically in relation to the UK Job Retention Scheme have been recognised in the Income Statement and directly offset against the payroll costs. There are no unfulfilled conditions or other contingencies attached to these grants.

Notes (continued)

4 Directors' remuneration

	<i>Year ended 30 June 2022</i>	<i>Year ended 30 June 2021</i>
	<i>£000</i>	<i>£000</i>
<i>Directors' emoluments</i>	268	232

During the year ended 30 June 2022 the aggregate emoluments of the highest paid director were £268,000 (*year ended 30 June 2021: £232,000*).

Company contributions made to directors' money purchase pension plans total £nil (*2021: none*). No retirement benefits are accruing under defined benefit pension schemes.

5 Operating loss

Included in operating loss for the year are the following:

	<i>Year ended 30 June 2022</i>	<i>Year ended 30 June 2021</i>
	<i>£000</i>	<i>£000</i>
<i>Amounts receivable by MHA:</i>		
<i>Audit of the financial statements of the Company</i>	5	-
<i>Audit of the financial statements of fellow Cuadrilla group companies</i>	50	-
<i>Amounts receivable by Ernst & Young LLP:</i>		
<i>Audit of the financial statements of the Company</i>	-	5
<i>Audit of the financial statements of fellow Cuadrilla group companies</i>	-	45
<i>Increase/(reduction) in expected credit loss provision for receivables due from related parties</i>	8	(10)
<i>Foreign exchange losses/(gains)</i>	(35)	27

6 Finance income and expenses

	<i>Year ended 30 June 2022</i>	<i>Year ended 30 June 2021</i>
	<i>£000</i>	<i>£000</i>
<i>Finance income</i>		
<i>Interest received on cash balances</i>	2	1
<i>Finance expenses</i>		
<i>Interest payable on bank loan</i>	1	1
<i>Other interest payable</i>	-	3
	1	4

Notes (continued)

7 Taxation

Recognised in the income statement

	<i>Year ended 30 June 2022 £000</i>	<i>Year ended 30 June 2021 £000</i>
<i>Current tax income</i>	-	310
<i>Deferred tax expense</i>	-	-
	<hr/>	<hr/>
<i>Total tax income</i>	-	310
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of effective tax rate

	<i>Year ended 30 June 2022 £000</i>	<i>Year ended 30 June 2021 £000</i>
<i>Loss before tax for the year</i>	(127)	(195)
	<hr/>	<hr/>
<i>Tax using the UK corporation tax rate of 19%</i>	24	37
<i>Non-taxable income/(expenses)</i>	-	1
<i>Current year losses for which no deferred tax asset is recognised</i>	(24)	272
	<hr/>	<hr/>
<i>Total tax income</i>	-	310
	<hr/> <hr/>	<hr/> <hr/>

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

The Company has estimated accumulated tax losses of £694,000 (2021: £574,000) 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 £106,000 (2021: £106,000).

Notes (continued)

8 Property, plant and equipment

	<i>Office equipment £000</i>
Cost	
<i>At 1 July 2020</i>	20
<i>Disposals</i>	(20)
	-
<i>Balance at 30 June 2021</i>	-
<i>At 1 July 2021</i>	-
	-
<i>Balance at 30 June 2022</i>	-
Depreciation	
<i>At 1 July 2020</i>	(20)
<i>Disposals</i>	20
	-
<i>Balance at 30 June 2021</i>	-
<i>At 1 July 2021</i>	-
	-
<i>Balance at 30 June 2022</i>	-
Net book value	
<i>At 30 June 2021</i>	-
	-
<i>At 30 June 2022</i>	-
	-

Notes (continued)

9 Intangible assets

	Software £000
Cost	
At 1 July 2020	236
Disposals	(84)
	152
Balance at 30 June 2021	152
At 1 July 2021	152
	152
Balance at 30 June 2022	152
Amortisation	
At 1 July 2020	(236)
Disposals	84
	(152)
Balance at 30 June 2021	(152)
At 1 July 2021	(152)
	(152)
Balance at 30 June 2022	(152)
Net book value	
At 30 June 2021	-
	-
At 30 June 2022	-

Notes (continued)

10 Investments in subsidiaries

<i>Cost and net book value</i>	<i>Shares in subsidiary undertakings</i>
<i>At 1 July 2021 and 30 June 2022</i>	<i>£000</i>
	<u><u>1</u></u>

All of the Company's subsidiaries at 30 June 2022 have a registered office address at 3000 Aviator Way, Wythenshawe, Manchester M22 5TG. The details of the subsidiaries are as follows:

	<i>Country of Incorporation</i>	<i>Nature of business</i>	<i>Class of shares held</i>	<i>Ownership</i>
<i>Cuadrilla Bowland Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Elswick Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Balcombe Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Weald Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Elswick (No.2) Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla North Cleveland Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla South Cleveland Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Gainsborough Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Well Services Limited</i>	<i>UK</i>	<i>Services for oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>

11 Trade and other receivables

	<i>30 June 2022</i>	<i>30 June 2022</i>
	<i>£000</i>	<i>£000</i>
<i>Current</i>		
<i>Trade receivables due from related parties (note 16)</i>	<i>63,230</i>	<i>62,828</i>
<i>Other receivables</i>	<i>311</i>	<i>257</i>
	<u><u><i>63,541</i></u></u>	<u><u><i>63,085</i></u></u>

The Company applies the expected credit loss approach to establish an allowance for impairment that represents its estimate of expected credit loss in respect of trade and other receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. The trade receivables of the Company are all due from related parties within the AJL group. To measure expected credit losses, trade receivables have been grouped based on shared credit characteristics. The loss allowance for the current and prior year has been based on the credit risk of AJL and adjusted upwards where required.

Notes (continued)

12 Trade and other payables

	30 June 2022 £000	30 June 2021 £000
Current		
Trade payables	43	101
Amounts due to immediate parent company (note 16)	109,841	109,862
Amounts due to related parties – AJ Lucas Group (note 16)	53	66
Social security and other taxes	11	15
Accrued expenses	89	97
	110,037	110,141
	110,037	110,141

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.

13 Interest bearing loans and borrowings

	30 June 2022 £000	30 June 2021 £000
Bank loans		
Current (less than one year)	10	9
Non-current	30	40
	40	49
	40	49

The HSBC bank loan is unsecured and is repayable in scheduled equal monthly instalments from June 2021 to May 2026. It carries a fixed interest rate of 2.5% p.a.

The above loan has been obtained as part of the Bounce Back Loan Scheme (BBLs) which was created by the government to support small and medium sized businesses through the Covid-19 pandemic. There are no unfulfilled conditions or other contingencies attached to these grants.

Notes (continued)

14 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 July 2020</i>	-	(45,879)	(45,879)
<i>Total recognised income and expense for the year</i>	-	115	115
	<hr/>	<hr/>	<hr/>
<i>Balance at 30 June 2021</i>	-	(45,764)	(45,764)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Balance at 1 July 2021</i>	-	(45,764)	(45,764)
<i>Total recognised income and expense for the year</i>	-	(127)	(127)
	<hr/>	<hr/>	<hr/>
<i>Balance at 30 June 2022</i>	-	(45,891)	(45,891)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Share capital

	<i>30 June 2022 number</i>	<i>30 June 2021 number</i>
<i>Ordinary shares</i>		
<i>On issue at 30 June – fully paid</i>	100	100
	<hr/>	<hr/>
	<i>30 June 2022 £</i>	<i>30 June 2021 £</i>
<i>Allotted, called up and fully paid Ordinary shares of US\$1.50 each</i>	113	113
	<hr/>	<hr/>

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.

15 Financial instruments

	<i>30 June 2022 £000</i>	<i>30 June 2021 £000</i>
Financial assets at amortised cost	63,541	63,085
Financial liabilities at amortised cost	110,037	110,141

Notes (continued)

15 Financial instruments (continued)

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.

As at 30 June 2022, all trade receivables are due from fellow group companies. The Company applies the expected credit loss approach to establish an allowance for impairment that represents its estimate of expected credit loss in respect of trade and other receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure expected credit losses trade receivables have been grouped based on shared credit characteristics. The loss allowance for the current and prior year has been based on the credit risk of AJL and adjusted upwards where required.

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 12 months from the date of approval of these financial statements, it will not seek repayment of the amounts currently made available.

The Company's ultimate parent, AJL, has provided a letter of support to the Company indicating that for 12 months from the date of approval of these financial statements, it will continue to provide the necessary financial support to enable the Company to trade and meet its liabilities as they fall due.

The Company obtained a HSBC bank loan of £50,000 as part of the Bounce Back Loan Scheme (BBLs) which was created by the government to support small and medium sized businesses through the Covid-19 pandemic. The loan is unsecured and is repayable in scheduled equal monthly instalments from June 2021 to May 2026. It carries a fixed interest rate of 2.5% p.a.

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

Management have reviewed the forecast cash requirements of the Company for the following 12 months and have satisfied themselves that the Company will be able to meet its external liabilities as they fall due for payment.

Notes (continued)

16 Related parties

Key management personnel

The key management personnel are considered to be the directors of the Company. The compensation of the directors is given in note 4.

Management fees

During the year ended 30 June 2022, the Company has recognised income of £384,000 in respect of management fees (year ended 30 June 2021: £361,000). Management fees are charges for operational and administrative services provided by the Company to subsidiary companies. The management fees are agreed by both parties and are recorded at a value equivalent to the cost to the Company.

Other related party transactions

	<i>Receivables outstanding</i>		<i>Payables outstanding</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Immediate parent company</i>	-	-	109,841	<i>109,862</i>
<i>Subsidiaries</i>	63,164	<i>62,786</i>	-	-
<i>AJ Lucas Group Limited (see note 18)</i>	66	<i>42</i>	53	<i>66</i>
	<hr/>	<hr/>	<hr/>	<hr/>
	63,230	<i>62,828</i>	109,894	<i>109,928</i>
	<hr/>	<hr/>	<hr/>	<hr/>

All intercompany accounts are current.

17 Post balance sheet event

In light of the decision to lift and reimpose the moratorium within a five-week period, the ongoing political churn and policy changes experienced in the UK and the lack of discernible political will within the governing Conservative Party to progress onshore shale gas exploration in the foreseeable future, AJL undertook a review of the carrying value of its investment in exploration assets. Following this review, AJL concluded that it is appropriate to recognise an impairment in the carrying value of its onshore shale gas exploration assets to comply with relevant applicable accounting standards as at 31 December 2022.

The decision to impair these assets will also have implications on the recoverability of the intercompany receivable balances which are currently being assessed by management for impairment in light of this event. This information is disclosed as a non-adjusting post balance sheet event and subsequently no change has been made to the financials as at 30 June 2022.

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Cuadrilla Resources Holdings Limited, a company incorporated in the United Kingdom which is controlled by its shareholders:

- Lucas Cuadrilla PTY Limited (96%);
- Employees and former employees (4%).

The largest and smallest consolidated financial statements into which the results of the Company are consolidated are those of the ultimate parent company and controlling party, AJ Lucas Group Limited, a company registered in Australia. Copies of the consolidated financial statements are available from Level 22, 167 Eagle Street, Brisbane, QLD 4000, Australia.