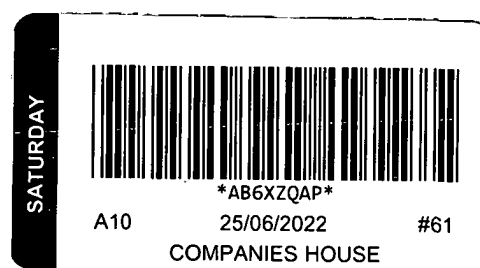


**Cuadrilla Resources Holdings Limited**

**Annual report and financial statements**

**Registered number 07147040**

**For the year ended 30 June 2021**



## **Contents**

|   |    |
|---|----|
| Strategic report  | 1  |
| Directors' report   | 3  |
| Statement of directors' responsibilities  | 5  |
| Independent auditor's report to the members of Cuadrilla Resources Holdings Limited | 6  |
| Income statement and comprehensive income   | 10 |
| Balance sheet   | 11 |
| Statement of changes in equity  | 12 |
| Notes to the financial statements   | 13 |

## Strategic report

### Business review

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

On 2 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. Cuadrilla continues to work with other Operators, the NSTA and UK industry to resolve concerns on hydraulic fracturing and support domestic gas production consistent with the UK goal of Net Zero CO<sub>2</sub> by 2050.

The Government’s Energy White Paper and the Committee on Climate Change recognise that there will be a continuing need for gas for both energy and power needs in the net zero 2050 scenarios. This will be a declining and reduced dependence on gas, and there will be a need to couple with Carbon Capture Utilisation and Storage technologies (CCUS), but a significant secure supply need for natural gas will remain out to 2050 and beyond. Shale gas can play an important role in domestic gas supply as a more secure, cost effective, economically beneficial and environmentally preferable option to long distance gas imports. This can include acting as feedstock in petrochemical applications and potentially in the increased production of hydrogen coupled with CCUS.

### Post balance sheet event

In April 2022 in response to growing calls from MPs, business leaders and the media, the Secretary of State at BEIS (SoS) 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 has been asked to complete its review and report to the SoS by the end of June 2022. Cuadrilla has provided written input to the review and offered its full co-operation to the BGS.

### Principal risks and uncertainties

As a subsidiary of AJ Lucas Group Limited (‘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 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](http://www.lucas.com.au).

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

- **Government moratorium** - In November 2019 the UK Government introduced a moratorium which paused hydraulic fracturing in England “unless and until further evidence is provided that it can be carried out safely in the UK.” Cuadrilla continues to work with other Operators, the NSTA and UK industry to resolve concerns on hydraulic fracturing and support the UK goal of Net Zero CO<sub>2</sub> by 2050.
- **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, geomechanical studies, physical and chemical laboratory analyses and reservoir engineering data.
- **Climate Change**: The UK Government has a legal obligation to meet a target of Net Zero CO<sub>2</sub> by 2050. This will lead to a reduction in gas consumption and a requirement to capture and/or offset the CO<sub>2</sub> emissions from burning gas. Notwithstanding 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 CO<sub>2</sub> generating imported gas in meeting that gas demand.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

- **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** – Cuadrilla Resources Holdings Limited 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 intends to 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 this stage.

### Key Performance Indicators (“KPIs”)

The directors of AJL 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 losses of £5,000 for the year, 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 2023. 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 2023. The letter indicates that subject to successful refinancing by AJL, it 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 consider that this constitutes a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern.

The directors of the Company also acknowledge that AJL has set out in the AJL Group Interim Report for the half year ended 31 December 2021 a number of events and conditions which raise doubt about AJL’s ability to continue as a going concern, including the ability to refinance existing facilities which mature in the going concern assessment period. The directors are of the view that, other than the refinancing, 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 was unable to continue as a going concern.

The directors have considered the impact of the global COVID-19 pandemic on the Company. The Company has taken all recommended and necessary precautions to protect our employees and other stakeholders with whom we regularly interact. As our exploration sites have been largely non-operational, as a consequence of the moratorium on hydraulic fracturing in England, the directors consider that the COVID-19 pandemic impact on the business has been materially less than otherwise might have been the case.

By order of the board



**Francis Egan**  
Director

23 June 2022

## Directors' report

The directors of the Company present their strategic report, directors' report and financial statements for the year ended 30 June 2021.

### Results and dividends

The result for the year is a loss of £5,000 (*18 month period ended 30 June 2020: loss £2,653,000*).

During the previous accounting period, the Company recognised an impairment charge of £2,297,000 as a result of a review of the recoverability of intercompany loans due to the Company from its subsidiaries.

The directors do not recommend the payment of a dividend.

### Principal activities

The principal activity of the Company is a holding company of a group of companies focused on exploration, discovering and recovering natural resources, primarily natural gas from shale rock. The Company's subsidiaries own exploration licences in the North and South of the UK.

### Change of accounting year end

In the previous period, the Company extended the accounting period to end on 30 June 2020 in order to align with the accounting year end of the AJL group. As such, the Income Statement is for the year ended 30 June 2021 whilst comparatives reflect the 18 months ended 30 June 2020.

### Directors and Company Secretary

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

|                |                              |
|----------------|------------------------------|
| Francis Egan   | Chief Executive Officer      |
| Andrew Purcell | (appointed 1 September 2020) |
| Julian Ball    | (appointed 1 February 2022)  |
| Ivor Orchard   | (resigned 31 January 2022)   |
| Phillip Arnall | (resigned 31 August 2020)    |

The Company Secretary at the date of this report is Jillian Overland.

### Disclosure of information to auditor

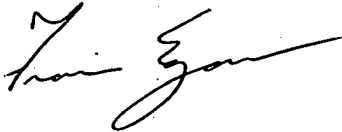
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

## **Directors' report** *(continued)*

### **Auditor**

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

By order of the board



**Francis Egan**  
**Director**

3000 Aviator Way  
Wythenshawe  
Manchester  
M22 5TG

23 June 2022

## **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 ('IFRSs') in conformity with the Companies Act 2006.

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 in conformity with the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- 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.

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

### **Opinion**

We have audited the financial statements of Cuadrilla Resources Holdings Limited for the year ended 30 June 2021 which comprise Income statement and comprehensive income, the Balance Sheet, Cash flow statement, the statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 UK, including the FRC'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 attention to Note 1 in the financial statements, which describes that the Company relies upon support from the parent company, AJ Lucas Group Limited (AJL), which has disclosed material uncertainties in its latest financial statements. AJL has provided a letter indicating that subject to successful refinancing, it will continue to provide the necessary financial support to enable the Company to trade and meet its liabilities as they fall due. Accordingly, the ability of AJL to provide this financial support is uncertain.

As stated in Note 1, these events or conditions, 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 with respect to this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's/group's ability to continue as a going concern.



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

### **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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions 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 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 strategic report or 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.

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

### **Auditor's 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.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the direct laws and regulations relating to elements of company law and tax legislation, and financial reporting framework i.e., Companies Act 2006.
- We understood how the Company is complying with those frameworks by making enquiries with management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies, reviewed minutes of the Board meetings, and gained an understanding to the Company's approach to governance, demonstrated by the board of directors' approval of the governance framework and its review of the risk management framework and internal control processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement including complex transactions, economic or external pressures and the impact these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. For both direct and other laws and regulations, our procedures involved; making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with regulatory authorities.

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

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

### **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.

*Ernst & Young LLP*

Jamie Dixon (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Manchester

23 June 2022

**Income statement and comprehensive income**  
*for the year ended 30 June 2021*

|   | <i>Note</i> | <i>Year ended 18 month<br/>30 June 2021 period ended<br/>30 June 2020</i> | <i>£000</i>    | <i>£000</i> |
|---|-------------|---|----------------|-------------|
| <i>Administrative income/(expenses)</i>       |             | <i>5</i>  | <i>(356)</i>   |             |
| <i>Impairment of intercompany receivables</i> |             | <i>(10)</i>   | <i>(2,297)</i> |             |
|   |             |   |                |             |
| <b>Operating loss</b>                         | <b>3</b>    | <b>(5)</b>  | <b>(2,653)</b> |             |
|   |             |   |                |             |
| <i>Taxation</i>                               | <i>4</i>    | <i>-</i>  | <i>-</i>       |             |
|   |             |   |                |             |
| <b>Loss for the year/period</b>               |             | <b>(5)</b>  | <b>(2,653)</b> |             |

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 13 to 22 form an integral part of these financial statements.

**Balance sheet**  
*at 30 June 2021*

|  | Note | 30 June 2021<br>£000 | 30 June 2020<br>£000 |
|--|------|----------------------|----------------------|
| <b>Non-current assets</b>                                  |      |                      |                      |
| Investments in subsidiaries                                | 5    | 19,890               | 19,890               |
| <b>Current assets</b>                                      |      |                      |                      |
| Trade and other receivables                                | 6    | 107,577              | 107,609              |
| <b>Total assets</b>  |      | <u>127,467</u>       | <u>127,499</u>       |
| <b>Current liabilities</b>                                 |      |                      |                      |
| Trade and other payables                                   | 7    | (5)                  | (32)                 |
| <b>Total liabilities</b>                                   |      | <u>(5)</u>           | <u>(32)</u>          |
| <b>Net assets</b>  |      | <u>127,462</u>       | <u>127,467</u>       |
| <b>Equity attributable to equity holders of the parent</b> |      |                      |                      |
| Share capital  | 9    | 180,144              | 180,144              |
| Merger reserve   | 8    | (43,081)             | (43,081)             |
| Retained losses  | 8    | (9,601)              | (9,596)              |
| <b>Total equity</b>  |      | <u>127,462</u>       | <u>127,467</u>       |

These financial statements were approved by the board of directors on 23 June 2022 and were signed on its behalf by:



**Francis Egan**  
Director

Company registered number: 07147040

The accompanying notes on pages 13 to 22 form an integral part of these financial statements.

**Statement of changes in equity**  
*At 30 June 2021*

|                                  | <i>Issued share<br/>capital<br/>£000</i> | <i>Merger<br/>reserve<br/>£000</i> | <i>Retained<br/>losses<br/>£000</i> | <i>Total equity<br/>£000</i> |
|----------------------------------|--|------------------------------------|-------------------------------------|------------------------------|
| <i>Balance at 1 January 2019</i> | <i>167,654</i>                           | <i>(43,081)</i>                    | <i>(6,943)</i>                      | <i>117,630</i>               |
| <i>Loss for the period</i>       | <i>-</i>                                 | <i>-</i>                           | <i>(2,653)</i>                      | <i>(2,653)</i>               |
| <i>New shares issued</i>         | <i>12,490</i>                            | <i>-</i>                           | <i>-</i>                            | <i>12,490</i>                |
|                                  | <hr/>                                    | <hr/>                              | <hr/>                               | <hr/>                        |
| <i>Balance at 30 June 2020</i>   | <i>180,144</i>                           | <i>(43,081)</i>                    | <i>(9,596)</i>                      | <i>127,467</i>               |
|                                  | <hr/>                                    | <hr/>                              | <hr/>                               | <hr/>                        |
| <i>Balance at 1 July 2020</i>    | <i>180,144</i>                           | <i>(43,081)</i>                    | <i>(9,596)</i>                      | <i>127,467</i>               |
| <i>Loss for the year</i>         | <i>-</i>                                 | <i>-</i>                           | <i>(5)</i>                          | <i>(5)</i>                   |
|                                  | <hr/>                                    | <hr/>                              | <hr/>                               | <hr/>                        |
| <i>Balance at 30 June 2021</i>   | <i>180,144</i>                           | <i>(43,081)</i>                    | <i>(9,601)</i>                      | <i>127,462</i>               |
|                                  | <hr/>                                    | <hr/>                              | <hr/>                               | <hr/>                        |

The accompanying notes on pages 13 to 22 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The Company is incorporated in and domiciled in the United Kingdom.

The financial statements have been prepared and approved by the directors in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006

The Company has taken the exemption from presenting consolidated accounts as, at the Balance Sheet date, 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 of £5,000 for the year 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 2023. 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 2023. The letter indicates that subject to successful refinancing by AJL, it 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 consider that this constitutes a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

The directors of the Company also acknowledge that AJL has set out in the AJL Group Interim Report for the half year ended 31 December 2021 a number of events and conditions which raise doubt about AJL's ability to continue as a going concern, including the ability to refinance existing facilities which mature in the going concern assessment period. The directors are of the view that, other than the refinancing, 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 was unable to continue as a going concern.

The directors have considered the impact of the global COVID-19 pandemic on the Company. The Company has taken all recommended and necessary precautions to protect our employees and other stakeholders with whom we regularly interact. As our exploration sites have been largely non-operational, as a consequence of the moratorium on hydraulic fracturing in England, the directors consider that the COVID-19 pandemic impact on the business has been materially less than otherwise might have been the case.

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Investments*

Investments in subsidiaries are stated at cost less impairment.

#### *Cash flow statement*

The Company has not prepared a cash flow statement as any cash transactions are paid or received by the subsidiary company, Cuadrilla Resources Limited, on behalf of the Company and settled through the intercompany account.

#### *Investments*

Investments in subsidiaries are stated at cost less impairment.

#### *Non derivative financial instruments*

*Trade and other receivables* are recognised initially at fair value.

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.

#### *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)

### 1 Accounting policies (continued)

#### *New and amended IFRS Standards that are effective for the current year*

During the year, the following new and amended IFRSs were adopted for the first time:

- Amendments to IFRS 3 Definition of a Business Amendments
- IAS 1 and IAS 8 Definition of Material Amendments
- IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
- The Conceptual Framework for Financial Reporting

The adoption of these standards does not have a material impact on the Company in the current or future reporting periods.

#### *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:

- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current Amendments
- IFRS 3 Reference to the Conceptual Framework Amendments
- IAS 16 Property, Plant and Equipment—Proceeds before Intended Use Amendments
- IAS 37 Onerous Contracts – Cost of Fulfilling a Contract Annual Improvements
- IFRS Standards 2018-2020 Cycle
- IFRS 16 COVID-19-Related Rent Concessions

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.

### 2 Staff costs and directors' remuneration

The Company had no employees during the current year or prior period.

No directors received any remuneration in respect of services to the Company.

The Company does not operate any share option schemes.

### 3 Expenses and auditors remuneration

*Included in operating loss for the year/period are the following:*

|                                     | <i>Year ended<br/>30 June 2021<br/>£000</i> | <i>18 month period<br/>ended<br/>30 June 2020<br/>£000</i> |
|-------------------------------------|---|--|
| Foreign exchange losses/(gains)     | 3   | (1)  |
| Impairment of loans to subsidiaries | 10  | 2,297  |
|                                     | <hr/>                                       | <hr/>  |

Audit fees are borne by the Company's subsidiary and are disclosed in note 3 of the financial statements of Cuadrilla Resources Limited.

The Company has a provision against the recoverability of amounts due from subsidiary companies of £2,307,000 (2020: £2,297,000).

## Notes (continued)

### 4 Taxation

#### Recognised in the income statement

|                             | <i>Year ended<br/>30 June 2021<br/>£000</i> | <i>18 month<br/>period ended<br/>30 June 2020<br/>£000</i> |
|-----------------------------|---|--|
| <i>Current tax income</i>   | -   | -  |
| <i>Deferred tax expense</i> | -   | -  |
|                             | <hr/>                                       | <hr/>  |
| <i>Total tax income</i>     | -   | -  |
|                             | <hr/>                                       | <hr/>  |

#### Reconciliation of effective tax rate

|  | <i>2021<br/>£000</i> | <i>2020<br/>£000</i> |
|--|----------------------|----------------------|
| <i>Loss before tax for the year/period</i>                               | (5)                  | (2,653)              |
|  | <hr/>                | <hr/>                |
| <i>Tax using the UK corporation tax rate of 19%</i>                      | 1                    | 504                  |
| <i>Non-deductible expenses</i>   | (2)                  | (439)                |
| <i>Utilisation of brought forward losses</i>                             | 1                    | -                    |
| <i>Current year losses for which no deferred tax asset is recognised</i> | -                    | (65)                 |
|  | <hr/>                | <hr/>                |
| <i>Total tax income</i>  | -                    | -                    |
|  | <hr/>                | <hr/>                |

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. In the 2020 Budget announcement on 11 March 2020, it was announced that the UK corporation tax rate would remain at 19% for the years starting 1 April 2020 and 2021.

No provision for tax has been made as the Company has estimated accumulated tax losses of £5,593,000 (2020: £5,598,000) 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.

## Notes (continued)

### 5 Investments in subsidiaries

|                                 | 2021<br>£000  |
|---------------------------------|---------------|
| At 1 July 2020 and 30 June 2021 | <u>19,890</u> |

Investments in group undertakings are recorded at cost which is the fair value of the consideration paid.

The Company is the parent company of Cuadrilla Resources Limited, which in turn is the parent company of a number of subsidiary companies involved principally in oil and gas exploration activities. All subsidiaries have a registered office address at 3000 Aviator Way, Wythenshawe, Manchester M22 5TG and are detailed as follows:

|   | <i>Country of<br/>Incorporation</i> | <i>Nature of business</i>            | <i>Class of<br/>shares held</i> | <i>Ownership</i> |
|---|-------------------------------------|--------------------------------------|---------------------------------|------------------|
| <b>Subsidiaries held by the Company:</b>                      |                                     |                                      |                                 |                  |
| Cuadrilla Resources Limited                                   | UK                                  | Management services to subsidiaries  | Ordinary                        | 100%             |
| <b>Subsidiaries held through Cuadrilla Resources Limited:</b> |                                     |                                      |                                 |                  |
| Cuadrilla Bowland Limited                                     | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla Elswick Limited                                     | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla Balcombe Limited                                    | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla Weald Limited                                       | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla Elswick (No.2) Limited                              | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla North Cleveland Limited                             | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla South Cleveland Limited                             | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla Gainsborough Limited                                | UK                                  | Oil and gas exploration              | Ordinary                        | 100%             |
| Cuadrilla Well Services Limited                               | UK                                  | Services for oil and gas exploration | Ordinary                        | 100%             |
| Cuadrilla Services Limited                                    | UK                                  | Not trading                          | Ordinary                        | 100%             |

### Valuation of investments and the moratorium on hydraulic fracturing in England

As a result of the current moratorium on hydraulic fracturing in England, exploration activities have been impacted and significantly reduced until such time that the moratorium is lifted. The valuation of investments has been assessed on the basis that the moratorium would be lifted in the future. In the event the moratorium is not lifted, and hydraulic fracturing is not allowed to recommence, the valuation of investments may be significantly lower than the amounts stated in the Balance Sheet.

### 6 Trade and other receivables

|  | 30 June 2021<br>£000 | 30 June 2020<br>£000 |
|--|----------------------|----------------------|
| <b>Current</b>                                   |                      |                      |
| Other receivables                                | 22                   | 25                   |
| Other receivables from related parties (note 11) | 107,555              | 107,584              |
|  | <u>107,577</u>       | <u>107,609</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)

### 7 Trade and other payables

|                         | 30 June 2021<br>£000 | 30 June 2020<br>£000 |
|-------------------------|----------------------|----------------------|
| <i>Current</i>          |                      |                      |
| <i>Accrued expenses</i> | 5                    | 32                   |

### 8 Capital and reserves

#### Reconciliation of movement in capital and reserves

|                                  | <i>Issued share<br/>capital<br/>£000</i> | <i>Merger<br/>reserve<br/>£000</i> | <i>Retained<br/>losses<br/>£000</i> | <i>Total equity<br/>£000</i> |
|----------------------------------|--|------------------------------------|-------------------------------------|------------------------------|
| <i>Balance at 1 January 2019</i> | 167,654                                  | (43,081)                           | (6,943)                             | 117,630                      |
| <i>Loss for the period</i>       | -  | -                                  | (2,653)                             | (2,653)                      |
| <i>New shares issued</i>         | 12,490                                   | -                                  | -                                   | 12,490                       |
| <i>Balance at 30 June 2020</i>   | 180,144                                  | (43,081)                           | (9,596)                             | 127,467                      |
| <i>Balance at 1 July 2020</i>    | 180,144                                  | (43,081)                           | (9,596)                             | 127,467                      |
| <i>Loss for the year</i>         | -  | -                                  | (5)                                 | (5)                          |
| <i>Balance at 30 June 2021</i>   | 180,144                                  | (43,081)                           | (9,601)                             | 127,462                      |

The merger reserve arose in February 2010, when the shares of Cuadrilla Resources Corporation Limited were exchanged for shares in the Company. Since the share for share exchange did not change the members and their rights, the transfer of ownership was accounted for in accordance with the principles of merger accounting.

## Notes (continued)

### 9 Capital and reserves – issued share capital

The issued share capital of the Company at 30 June 2021 is as follows:

| Number of shares                                   | At 1 Jan 2019  | Additions     | At 30 June 2020 | Additions | At 30 June 2021 |
|--|----------------|---------------|-----------------|-----------|-----------------|
|  | 000            | 000           | 000             | 000       | 000             |
| <i>Allotted, called up and fully paid</i>          |                |               |                 |           |                 |
| Deferred shares of \$0.01 each                     | 10             | -             | 10              | -         | 10              |
| Ordinary 'A' shares of \$0.01 each                 | 73,778         | 5,572         | 79,350          | -         | 79,350          |
| Ordinary 'B' shares of \$0.01 each                 | 19,875         | -             | 19,875          | -         | 19,875          |
| Ordinary 'C' shares of \$0.01 each                 | 12,621         | 680           | 13,301          | -         | 13,301          |
| Ordinary 'D' shares of \$0.01 each                 | 4,555          | 340           | 4,895           | -         | 4,895           |
| 'A' 8% cumulative preference shares of \$2.79 each | 59,441         | 5,572         | 65,013          | -         | 65,013          |
| 'B' 0% preference shares of \$2.79 each            | 19,875         | -             | 19,875          | -         | 19,875          |
|  | <u>190,155</u> | <u>12,164</u> | <u>202,319</u>  | <u>-</u>  | <u>202,319</u>  |
|  |                |               |                 |           |                 |
| <b>Issued share capital</b>                        |                |               |                 |           |                 |
|  | At 1 Jan 2019  | Additions     | At 30 June 2020 | Additions | At 30 June 2021 |
|  | £000           | £000          | £000            | £000      | £000            |
| <i>Allotted, called up and fully paid</i>          |                |               |                 |           |                 |
| Deferred shares of \$0.01 each                     | -              | -             | -               | -         | -               |
| Ordinary 'A' shares of \$0.01 each                 | 556            | 45            | 601             | -         | 601             |
| Ordinary 'B' shares of \$0.01 each                 | 150            | -             | 150             | -         | 150             |
| Ordinary 'C' shares of \$0.01 each                 | 95             | 5             | 100             | -         | 100             |
| Ordinary 'D' shares of \$0.01 each                 | 34             | 3             | 37              | -         | 37              |
| 'A' 8% cumulative preference shares of \$2.79 each | 125,076        | 12,437        | 137,513         | -         | 137,513         |
| 'B' 0% preference shares of \$2.79 each            | 41,743         | -             | 41,743          | -         | 41,743          |
|  | <u>167,654</u> | <u>12,490</u> | <u>180,144</u>  | <u>-</u>  | <u>180,144</u>  |
|  |                |               |                 |           |                 |

## Notes (continued)

### 9 Capital and reserves – issued share capital (continued)

The terms of the shares in issue are as follows:

- The holders of ordinary 'A' and 'B' 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.
- The holders of the deferred shares and the ordinary 'C' and 'D' shares have restricted voting and distribution rights.
- The holders of 'A' preference shares are entitled to receive cumulative dividends only when, as and if declared by the Board of Directors and are not entitled to vote at meetings of the Company. The holders of 'B' preference shares are not entitled receive dividends or to vote at meetings of the Company. There is no contractual requirement for the Company to deliver cash or financial assets either in the ordinary course of business or otherwise. As a result, both classes of shares are classified as equity in accordance with the requirements of *IAS 32 Financial Instruments: Presentation*.

The legal ownership of the 'C' and 'D' ordinary shares is held by the Cuadrilla Resources Employee Share Ownership Plan Trust and the beneficial ownership of these shares are allocated to Cuadrilla employees only. In all cases, the beneficial interests in these shares are purchased by employees at par value, which is considered to be the fair value. As at 30 June 2021, the Trust held a total of £22,000 of unallocated 'C' and 'D' shares, being 3,063,000 shares of \$0.01 each. The beneficial ownership of these shares will be allocated to employees in future periods.

#### *Period ended 30 June 2020 share transactions*

The Company has carried out a total of seven funding rounds during the 18 month period ended 30 June 2020. Total share capital of \$15,610,000 (£12,490,000) has been issued to existing shareholders. The Company issued 5,571,457 'A' ordinary shares of \$0.01 each, 5,571,457 'A' preference shares of \$2.79 each, 681,184 'C' ordinary shares of \$0.01 each and 340,592 'D' ordinary shares of \$0.01 each. All shares were issued at par value to existing shareholders for cash.

## Notes (continued)

### 10 Financial instruments

#### 10(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.

#### 10(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 2021, the most significant receivable is an amount due from the subsidiary company, Cuadrilla Resources Limited. 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.

#### 10(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 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.

#### 10(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.

#### 10(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)

### 11 Related parties

#### Key management personnel

The key management personnel are considered to be the directors of the Company. The directors of the Company and their immediate families control 0.2% of the voting shares of the company.

#### Administrative expenses incurred from shareholders:

|  | 30 June 2021<br>£000 | 30 June 2020<br>£000 |
|--|----------------------|----------------------|
| Shareholder fees – AJ Lucas Group Limited  | -                    | 21                   |
| Shareholder fees – Riverstone Holdings LLC | -                    | 145                  |
|  | <u>-</u>             | <u>166</u>           |

#### Other receivables

|  | 30 June 2021<br>£000 | 30 June 2020<br>£000 |
|--|----------------------|----------------------|
| Subsidiaries – Cuadrilla Resources Limited | <u>107,555</u>       | <u>107,584</u>       |

The intercompany account with the subsidiary bears no interest and is repayable on demand.

### 12 Post balance sheet event

In April 2022 in response to growing calls from MPs, business leaders and the media, the Secretary of State at BEIS (SoS) 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 has been asked to complete its review and report to the SoS by the end of June 2022. Cuadrilla has provided written input to the review and offered its full co-operation to the BGS.

### 13 Ultimate parent company and parent company of larger group

The Company 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.