4508881

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

FOR

CALENERGY RESOURCES LIMITED

CALENERGY RESOURCES LIMITED (REGISTERED NUMBER: 4508881)

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

CALENERGY RESOURCES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS:	G E Abel P Ainsley T E Fielden P A Jones M J Sparkes P R A Youngs
SECRETARY	J Elliott
REGISTERED OFFICE:	Lloyds Court 78 Grey Street Newcastle upon Tyne NE1 6AF
REGISTERED NUMBER:	4508881 (England and Wales)
AUDITOR:	Deloitte LLP Newcastle upon Tyne

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITY
The Company is part of the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group") and the principal activity of the Company is, and will continue to be, to act as a holding company for and to provide services in respect of investments in oil and gas assets

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report

G E Abel
P Ainsley
T E Fielden
M J Sparkes
P R A Youngs

Changes in directors holding office are as follows

P E Connor - resigned 28 February 2011
P A Jones - appointed 28 February 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union 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, International Accounting Standard 1 requires the directors to

- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- Provide additional disclosures when compliance with the specific requirements in IFRSs are 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
- Make an assessment of the Company's ability to continue as a going concern

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 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

Going concern

When considering whether to adopt the going concern basis in preparing the annual report and accounts, the directors have taken into account a number of factors including

a) In its role as a holding company, the Company provides services to its subsidiary companies, which also hold investments in oil and gas assets, and receives reimbursement of the costs incurred in providing those services from its subsidiary companies,

b) The Company is part of the Northern Powergrid Group, and

c) The Company has a strong Statement of Financial Position including short-term lending of money to its immediate parent company CalEnergy Gas (Holdings) Limited

Taking account of the above, the directors consider that the Company has sufficient liquidity to meet its current requirements and its on-going financial needs Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006

AUDITOR

An elective resolution is in place dispensing with the need to appoint auditors annually Deloitte LLP has indicated its willingness to continue in office

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

ON BEHALF OF THE BOARD:

J Elliott
Secretary

19 July 2012

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CALENERGY RESOURCES LIMITED

We have audited the financial statements of CalEnergy Resources Limited (the "Company") for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes 1 - 19 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 a Report of the Auditor and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors

Christopher Powell FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Newcastle upon Tyne

25 July 2012

CALENERGY RESOURCES LIMITED (REGISTERED NUMBER 4508881)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		(63)	(1,098)
OPERATING LOSS		(63)	(1,098)
Profit from the sale of non-current assets		-	35,836
Finance costs	4	-	(543)
Finance income	4	613	210
PROFIT BEFORE INCOME TAX	5	550	34,405
Income tax	6	567	(7,961)
PROFIT FOR THE YEAR		1,117	26,444

The notes on pages 10 to 18 form part of these financial statements

CALENERGY RESOURCES LIMITED (REGISTERED NUMBER: 4508881)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £'000	2010 £'000
PROFIT FOR THE YEAR	1,117	26,444
OTHER COMPREHENSIVE INCOME	(964)	964
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	153	27,408

The notes on pages 10 to 18 form part of these financial statements

CALENERGY RESOURCES LIMITED (REGISTERED NUMBER 4508881)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	158	168
Investments	9	5,437	5,437
		5,595	5 605
CURRENT ASSETS			
Trade and other receivables	10	24,496	43,368
Tax receivable		50	257
Cash and cash equivalents	11	16	124
		24,562	43,749
TOTAL ASSETS		30,157	49,354
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	17,901	17,318
Share premium	13	1,847	41
Share options	13	-	964
Retained earnings	13	2,302	22.185
TOTAL EQUITY		22,050	40,508
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	15	7,673	8 290
CURRENT LIABILITIES			
Trade and other payables	14	434	556
TOTAL LIABILITIES		8,107	8 846
TOTAL EQUITY AND LIABILITIES		30,157	49 354

The financial statements were approved by the Board of Directors on 19 July 2012 and were signed on its behalf by

P A Jones
Director

The notes on pages 10 to 18 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2010	17,318	(4,259)	41	13,100
Changes in equity				
Total comprehensive income	-	26,444	964	27,408
Balance at 31 December 2010	17,318	22,185	1,005	40,508
Changes in equity				
Issue of share capital	583	-	1,806	2,389
Dividends	-	(21,000)	-	(21,000)
Total comprehensive income	-	1,117	(964)	153
Balance at 31 December 2011	17,901	2,302	1,847	22,050

The notes on pages 10 to 18 form part of these financial statements

CALENERGY RESOURCES LIMITED (REGISTERED NUMBER: 4508881)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	19	(134)	12
Finance costs paid		-	(336)
Interest received		613	210
Tax credit/(paid)		157	(23)
Net cash used in operating activities		636	(137)
Cash flows from investing activities			
Purchase of tangible fixed assets		(38)	(117)
Sale of tangible fixed assets		-	35,836
Sale of fixed asset investments		-	9,541
Net cash from investing activities		(38)	45,260
Cash flows from financing activities			
Loans from group undertakings		911	(38,997)
Loans to group undertakings		17,958	(6,109)
Sale of share options		842	-
Share issue		583	-
Equity dividends paid		(21,000)	-
Net cash from/(used in) financing activities		(706)	(45,106)
(Decrease)/Increase in cash and cash equivalents		(108)	17
Cash and cash equivalents at beginning of year		124	107
Cash and cash equivalents at end of year		16	124

The notes on pages 10 to 18 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 GENERAL INFORMATION

CalEnergy Resources Limited is a company originally incorporated in England and Wales under the Companies Act 1985 The address of the registered office is Lloyds Court, 78 Grey Street, Newcastle upon Tyne NE1 6AF

The nature of the Company's operations and its principal activities are set out in the principal activity and review of the business in the directors' report

2 ACCOUNTING POLICIES

Accounting convention and basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") The financial statements have also been prepared in accordance with IFRSs adopted by the European Union (the "EU") and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts

When considering whether to adopt the going concern basis in preparing the annual report and accounts, the directors have taken into account a number of factors including

a) In its role as a holding company, the Company provides services to its subsidiary companies, which also hold investments in oil and gas assets, and receives reimbursement of the costs incurred in providing those services from its subsidiary companies,

b) The Company is part of the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group"), and

c) The Company has a strong Statement of Financial Position including short-term lending of money to its immediate parent company CalEnergy Gas (Holdings) Limited

Taking account of the above, the directors consider that the Company has sufficient liquidity to meet its current requirements and its on-going financial needs Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

The accounts have been prepared under the historical cost convention

Judgments in applying accounting policies and key sources of estimation uncertainty
Many of the amounts included in the financial statements involve the use of judgements and/or estimation These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience but actual results may differ from the amounts included in the financial statements Information about such judgments and estimates is contained in the accounting policies and/or the notes to the financial statements

Critical accounting policies
The critical accounting policies adopted by the directors relate to property, plant and equipment and taxation The accounting policies have been applied consistently throughout the year and the preceding year

Adoption of new or revised standards
The directors are not aware of any new or revised Standards or Interpretations, including those issued but not yet effective, which would have a material impact upon these financial statements

Revenue
Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable

Investments
Investments in subsidiaries are stated at cost less provision for any impairment

2 ACCOUNTING POLICIES - continued

Trade receivables and trade payables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts Trade payables are not interest bearing and are stated at their nominal value

Pensions
During the year, the Company contributed to the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "Northern Powergrid Group of the ESPS") The Northern Powergrid Group of the ESPS is a defined benefit plan that shares risk between various entities under common control There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities and accordingly the Company accounts for the scheme as if it were a defined contribution scheme Contributions to the Northern Powergrid Group of the ESPS are charged to the income statement or capitalised as appropriate The capital cost of ex-gratia and supplementary pensions is normally charged to the income statement in the period in which they are granted

Borrowing costs
Costs of borrowings are recorded in the income statement in the period in which they are incurred

Leases
Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used The rental payments under operating leases are substantially included as part of the costs recharged to other companies in the Northern Powergrid Group

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities

Property, plant and equipment and depreciation
Property, plant and equipment, being office equipment, is stated at cost less depreciation Depreciation is calculated to write down the cost, less the estimated residual value, of those assets on a straight-line basis over their expected useful lives Depreciation is charged on office equipment at a rate of 33% per annum

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

2 ACCOUNTING POLICIES - continued

Taxation - continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or asset realised, based on tax rates and tax legislation enacted or substantively enacted at the balance sheet date

3 EMPLOYEES AND DIRECTORS

	2011 £'000	2010 £'000
Directors' (being the highest paid director and the key personnel) emoluments for services to the Company		
Short-term employee benefits	166	-
Post-employment benefits	38	-
Other long-term benefits	-	639
	204	639

A proportion of the directors' emoluments detailed above have been allocated to other companies in the Northern Powergrid Group

At 31 December 2011, four directors were members of defined benefit schemes (2010 5) During the year, the Company paid contributions in respect of one of the directors in the defined benefit scheme

	2011 £'000	2010 £'000
Employee remuneration:		
Wages and salaries	886	1,711
Social security costs	115	123
Pension costs	119	109
	1,120	1,943
Less amounts recharged to other Group undertakings at cost	(1,076)	(886)
	44	1,057

The average monthly number of employees (including directors) was 9 (2010 7)

4 NET FINANCE INCOME

	2011 £'000	2010 £'000
Finance income		
Deposit account interest	613	210
Finance costs		
Bank interest	-	1
Interest payable on loans from Group undertakings	-	542
	-	543
Net finance income/(costs)	613	(333)

5 PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting)

	2011 £'000	2010 £'000
Depreciation - owned assets	**48**	35
Profit on disposal of non-current assets	**-**	(35,836)

Auditor's remuneration was borne by another company in the Northern Powergrid Group in the current and preceding financial years Audit fees relating to the Company amounted to £4,400 (2010 £7,200) There were no fees payable in relation to non-audit services in 2011 or 2010

6 INCOME TAX

Analysis of the tax (credit)/charge

	2011 £'000	2010 £'000
Current tax		
Tax	**50**	(332)
Deferred tax	**(617)**	8,293
Total tax (credit)/charge in income statement	**(567)**	7,961

Factors affecting the tax charge
The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom The difference is explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	**550**	34,405
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 26 5% (2010 - 28%)	**146**	9,633
Effects of		
Imputed interest	**(75)**	69
(Under)/over provision for prior years	**(22)**	4
Substantial shareholdings relief	**-**	(10,034)
Transfer of held over capital gain on disposal of subsidiary undertaking	**-**	8,289
Effect of changes in tax rates	**(616)**	-
Total income tax	**(567)**	7,961

6 INCOME TAX - continued

	2011 £'000	2010 £'000
Tax charge/(credit) comprises		
Current tax credit		
Receipts for use of group losses	72	(333)
Over provision for prior years	(22)	1
	50	(332)
Deferred tax		
Deferred tax credit relating to the origination and reversal of temporary differences	(1)	4
Capital gains	-	8,289
Effective changes in tax rates	(616)	-
	(567)	7,961

The Finance Act 2011, which was substantively enacted in July 2011, included a provision to reduce the rate of corporation tax in the United Kingdom to 25% with effect from 1 April 2012 Accordingly this rate has been applied when calculating deferred tax assets and liabilities as at 31 December 2011 The Government has announced that the standard rate of corporation tax will reduce further to 24% from1 April 2012 with further reductions to 23% from 1 April 2013 and 22% from 1 April 2014 These rate changes have not been reflected within these financial statements as they were not substantively enacted at the balance sheet date

7 DIVIDENDS

	2011 £'000	2010 £'000
Interim	21,000	-

8 PROPERTY, PLANT AND EQUIPMENT

	Office equipment £'000
COST	
At 1 January 2011	298
Additions	38
At 31 December 2011	336
DEPRECIATION	
At 1 January 2011	130
Charge for year	48
At 31 December 2011	178
NET BOOK VALUE	
At 31 December 2011	158

8 PROPERTY, PLANT AND EQUIPMENT - continued

	Office equipment £'000
COST	
At 1 January 2010	181
Additions	117
At 31 December 2010	298
DEPRECIATION	
At 1 January 2010	95
Charge for year	35
At 31 December 2010	130
NET BOOK VALUE	
At 31 December 2010	168

9 INVESTMENTS

	Shares in subsidiary undertakings £'000
As at 31 December 2010 and 31 December 2011	5,437

Details of investments held at 31 December 2011 are as follows

Name of Company	Country of incorporation	Holding	Proportion held	Nature of business
CalEnergy Resources Poland Sp z o o	Poland	34,074 of 500 PLN ordinary shares	100%	Gas exploration and production
CalEnergy Gas Limited	England and Wales	2,682,373 £1 ordinary shares	100%	Gas exploration and production
CalEnergy Resources (Australia) Limited	England and Wales	1 £1 ordinary shares	100%	Gas exploration and production

10 TRADE AND OTHER RECEIVABLES

	2011 £'000	2010 £'000
Current		
Amounts owed from Group undertakings	**24,405**	43,274
Other receivables	**5**	3
Prepayments and accrued income	**86**	91
	24,496	43,368

The directors consider that the carrying amount of trade and other receivables approximates to their fair value, which was calculated by discounting the future cash flows at the market rate at the balance sheet date The maximum risk exposure is the book value of these assets No balances within other receivables are past due at the reporting date and the directors do not, therefore, consider there to be any indication of impairment

11 CASH AND CASH EQUIVALENTS

	2011	2010
	£'000	£'000
Cash and cash equivalents	16	124

The carrying amount of these assets approximates to their fair value, calculated by discounting the future cash flows at market rate at the balance sheet date

Credit risk
The Company's principal financial assets are cash and cash equivalents and trade and other receivables There is no concentration of credit risk and no amounts are provided against receivables

12 CALLED UP SHARE CAPITAL

Preference shares carry an entitlement to a dividend annually if proposed by the directors at a general meeting held by the Company The voting rights are one vote for every preference share held Preference shares have priority over Management shares on winding up Management shareholders are not entitled to voting rights or dividends Both classes of shares are equity and non-redeemable On 3 February 2011, the Company's parent undertaking purchased the minority interest held by senior management, making the Company a wholly-owned subsidiary

	2011	2010
Called up, allotted and fully paid		
Preference shares of £1 each	17,897	17,314
Management shares of 1p each	4	4
	17,901	17,318

13 RESERVES

	Retained earnings	Share options	Share premium	Totals
	£'000	£'000	£'000	£'000
At 1 January 2011	22,185	964	41	22,226
Profit for the year	1,117	-	-	1,117
Dividends	(21,000)	-	-	(21,000)
Purchase of share options	-	(964)	1,806	842
At 31 December 2011	2,302	-	1,847	4,149

14 TRADE AND OTHER PAYABLES

	2011	2010
	£'000	£'000
Current		
Other payables	434	556

The directors consider that the carrying amount of other financial liabilities approximates their fair value

Other payables principally comprise amounts outstanding for on-going costs The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe

All the Company's non-derivative financial liabilities are non-interest bearing and repayable within three months of the balance sheet date

15 DEFERRED TAX

	Rollover/ holdover £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2010	-	(3)	(3)
Charge to the income statement	8,289	4	8,293
At 31 December 2010	8,289	1	8,290
Credit to the income statement	(614)	(3)	(617)
At 31 December 2011	7,675	(2)	7,673

16 EMPLOYEE BENEFIT OBLIGATIONS

The Company participates in the Northern Powergrid Group of the ESPS This is a defined benefit plan that shares risk between various entities under common control, the assets of which are held independently from the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme

Contributions to the scheme for the year were £87,000 (2010 £87,000)

The last triennial actuarial valuation of the Northern Powergrid Group of the ESPS was carried out by the Group Trustees' actuarial advisors, Aon Hewitt, as at 31 March 2010 The projected unit method was used for the 2010 valuation The principal actuarial assumptions were that pre-retirement investment returns would exceed salary increases by 1 8% per annum (inclusive of merit awards) and post-retirement returns would exceed future pension increases by 2 8% per annum

The total market value of the assets of the Northern Powergrid Group of the ESPS, at the date of the actuarial valuation, was £983m

For the Northern Powergrid Group of the ESPS, the actuarial valuation showed that the value of the assets represented 78% of the actuarial value of the accrued benefits This represents a shortfall of assets compared to the value of accrued benefits of £276m The accrued benefits include all benefits for pensioners and other members, as well as benefits based on service completed to date for active members, and allows for an estimate of future salary increases

Agreement was reached during June 2011 with the Group Trustees to repair this deficit over the 15 year period to 31 March 2025, subject to the actuarial assumptions adopted for the triennial valuation as at 31 March 2010 being borne out in practice The agreement includes cash payments of £29 9m per annum (of which £79,000 is borne by the Company), made on a monthly basis, for the first five years of the recovery plan followed by an agreed profile of payments to be made over the remaining ten years of the recovery plan

Full details of the Northern Powergrid Group of the ESPS can be found in the accounts of Northern Powergrid Holdings Company for the year ended 31 December 2011

17 RELATED PARTY DISCLOSURES

The Company has advanced loans to companies in the Northern Powergrid Group, which attract interest up to the Bank of England Base Rate plus 0 5% Amounts owed from group undertakings was £24,405,000 as at 31 December 2011 (2010 £43,274,000) in relation to these loans

The Company has previously received loans from companies in the Northern Powergrid Group The total interest included in finance costs in the income statement for the year ended 31 December 2011 was £nil (2010 £542,000) The total included within borrowings was £nil as at 31 December 2011 (2010 £nil)

17 RELATED PARTY DISCLOSURES (continued)

The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of amounts owed by related parties

Details of payments made to key management personnel, being the directors, are provided in Note 3

18 ULTIMATE CONTROLLING PARTY

The immediate parent undertaking of CalEnergy Resources Limited is CalEnergy Gas (Holdings) Limited The ultimate controlling party and ultimate parent undertaking of CalEnergy Gas (Holdings) Limited is Berkshire Hathaway, Inc , a company incorporated in the United States of America

Copies of the group accounts of Berkshire Hathaway, Inc (the parent undertaking of the largest group preparing group accounts) which include CalEnergy Resources Limited and the group accounts of Northern Powergrid Holdings Company, the smallest parent undertaking to prepare group accounts in the United Kingdom can both be obtained from the Company Secretary, Northern Powergrid Holdings Company, Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF

19 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2011	2010
	£'000	£'000
Profit before income tax	550	34,405
Depreciation charges	48	35
Profit on disposal of non-current assets	-	(35,836)
Finance costs	-	543
Finance income	(613)	(210)
	(15)	(1,063)
Increase in trade and other receivables	3	(21)
(Decrease)/Increase in trade and other payables	(122)	1,096
Cash (used in)/generated from operations	(134)	12

19 OPERATING LEASE ARRANGEMENTS

	2011	2010
	£'000	£'000
Minimum lease payments under operating leases recognised in the year	52	84

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2011	2010
	£'000	£'000
Within one year	52	51
In the second year	32	-
	84	51

Operating lease payments represent rentals payable by the Company for its office property The leases have been negotiated until August 2013 and the rental is fixed for the term of the lease