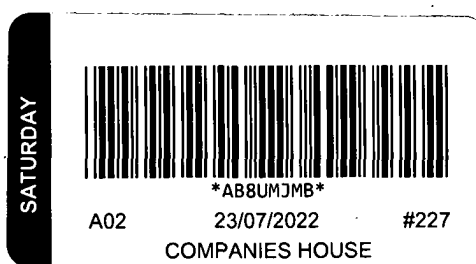


Registered number: 04508881 (England and Wales)

CalEnergy Resources Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



CalEnergy Resources Limited
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CalEnergy Resources Limited
Company Information

Directors T H France
 A P Jones
 P A Jones

Company Secretary J C Riley

Registered office Lloyds Court
 78 Grey Street
 Newcastle upon Tyne, England
 NE1 6AF

Registered number 04508881 (England and Wales)

Auditor Deloitte LLP
 Statutory auditor
 Newcastle upon Tyne
 United Kingdom

CalEnergy Resources Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the audited financial statements of CalEnergy Resources Limited (the "Company") for the year ended 31 December 2021. The Company has taken the small companies exemption allowed under the Companies Act 2006 from preparing the Strategic Report and in preparing the Directors' Report.

Review of business

The Company is part of the Northern Powergrid Holdings Company and its subsidiaries group of companies (the "Northern Powergrid Group") and acts as a holding company for investments in oil and gas assets through CalEnergy Resources (Australia) Limited, CalEnergy Gas Limited, CalEnergy Resources (UK) Limited and CalEnergy Resources (Poland) Sp. z o. o., which are wholly-owned subsidiaries, and through NewGen Drilling Pty Limited, of which the Company owns 80%.

Directors of the Company

The directors, who held office during the year and up to the date of signing, were as follows:

T E Fielden (Resigned 15 February 2021)

T H France

S J Lockwood (Resigned 14 April 2022)

P A Jones

A P Jones (Appointed 14 April 2022)

During the year, none of the directors had an interest in any contract which was material to the business of the Company.

During the year and up to the date of approval of the Directors' Report, an indemnity contained in the Company's Articles of Association was in force for the benefit of the directors of the Company and as directors of associated companies, which was a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). 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 of the financial reporting framework 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.

CalEnergy Resources Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

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

A review of the Company's financial risk management objectives, details of its exposures to trading risk, credit risk and liquidity risk are set out in the appropriate Notes to the financial statements.

The Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with net current liabilities position obtaining a letter of support from Northern Powergrid Holdings Company.

When considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, the directors have taken into account a number of factors, including the following:

- The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc, are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
- The Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc hold investment grade credit ratings;
- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 16 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
- The Northern Powergrid Group benefits from strong investment-grade credit ratings which allow access to a range of financing options. A successful bond issue by the Northern Powergrid Group in April 2022, demonstrates that the Northern Powergrid Group's bonds remain attractive to investors and there is an active market with strong appetite to invest;
- The Northern Powergrid Group has prepared forecasts which taking into account reasonable possible changes in trading performance, show that the Northern Powergrid Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts. The directors have had discussions with the bank who have indicated that they would continue to provide the short-term facilities to the Northern Powergrid Group for the foreseeable future on acceptable terms; and
- Consideration was also given to the obligations contained in the Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely within the eight-year period or beyond.

Consequently, after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, a letter of support was received from Northern Powergrid Holdings Company, a company in the Northern Powergrid Group. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

CalEnergy Resources Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Statement as to disclosure of information to auditor

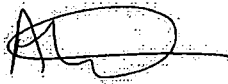
Each of the directors, who is a director of the Company as at the date of this report, confirms that:

- 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditor

Deloitte LLP will continue in office in accordance with the provisions in Section 487 of the Companies Act 2006 and has indicated its willingness to do so.

Approved by the Board on 18 July 2022 and signed on its behalf by:



A P Jones
Director

CalEnergy Resources Limited

Independent Auditor's Report to the Members of CalEnergy Resources Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of CalEnergy Resources Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Boards (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 Financial Reporting Council's (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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

CalEnergy Resources Limited
Independent Auditor's Report to the Members of CalEnergy Resources 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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

CalEnergy Resources Limited**Independent Auditor's Report to the Members of CalEnergy Resources Limited
(continued)****Responsibilities of directors**

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor'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.

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

CalEnergy Resources Limited

Independent Auditor's Report to the Members of CalEnergy Resources Limited (continued)

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

CalEnergy Resources Limited
Independent Auditor's Report to the Members of CalEnergy Resources Limited
(continued)

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required too report in respect of the following matters 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;
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.



Anthony Matthews FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
Newcastle upon Tyne
United Kingdom

18 July 2022

CalEnergy Resources Limited**Statement of Profit or Loss for the Year Ended 31 December 2021**

	Note	2021 £ 000	2020 £ 000
Revenue		-	-
Administrative expenses		<u>3</u>	<u>(739)</u>
Operating profit/(loss)	4	3	(739)
Other losses	3	(4,585)	(90,685)
Finance costs	6	(7,926)	(4,358)
Finance income	6	<u>8,067</u>	<u>4,553</u>
Loss before tax		(4,441)	(91,229)
Income tax credit	8	<u>702</u>	<u>2,456</u>
Loss for the year		<u><u>(3,739)</u></u>	<u><u>(88,773)</u></u>

The notes on pages 15 to 44 form an integral part of these financial statements.

CalEnergy Resources Limited**Statement of Comprehensive Income for the Year Ended 31 December 2021**

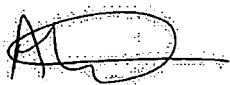
	2021	2020
	£ 000	£ 000
Loss for the year	<u>(3,739)</u>	<u>(88,773)</u>
Total comprehensive expense for the year	<u><u>(3,739)</u></u>	<u><u>(88,773)</u></u>

The notes on pages 15 to 44 form an integral part of these financial statements.

CalEnergy Resources Limited
(Registration number: 04508881)
Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Assets			
Non-current assets			
Property, plant and equipment	9	187	180
Investments in subsidiaries, joint ventures and associates	10	4,394	5,227
Trade and other receivables	11	40,000	40,000
		<u>44,581</u>	<u>45,407</u>
Current assets			
Trade and other receivables	11	222,520	120,241
Income tax asset		-	19
Cash and cash equivalents	12	161	912
		<u>222,681</u>	<u>121,172</u>
Total assets		<u>267,262</u>	<u>166,579</u>
Equity and liabilities			
Equity			
Share capital	13	(17,901)	(17,901)
Share premium		(1,847)	(1,847)
Retained earnings		99,775	96,036
Total equity		<u>80,027</u>	<u>76,288</u>
Non-current liabilities			
Loans and borrowings	15	(40,000)	(40,000)
Deferred tax liabilities	8	(2,864)	(3,137)
		<u>(42,864)</u>	<u>(43,137)</u>
Current liabilities			
Trade and other payables	16	(359)	(414)
Loans and borrowings	15	(303,943)	(199,316)
Income tax liability		(123)	-
		<u>(304,425)</u>	<u>(199,730)</u>
Total liabilities		<u>(347,289)</u>	<u>(242,867)</u>
Total equity and liabilities		<u>(267,262)</u>	<u>(166,579)</u>

Approved by the Board of Directors on 18 July 2022 and signed on its behalf by:



A P Jones
Director

CalEnergy Resources Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital	Share premium	Retained earnings	Total
	£ 000	£ 000	£ 000	£ 000
At 1 January 2021	17,901	1,847	(96,036)	(76,288)
Loss for the year	-	-	(3,739)	(3,739)
Total comprehensive expense	-	-	(3,739)	(3,739)
At 31 December 2021	<u>17,901</u>	<u>1,847</u>	<u>(99,775)</u>	<u>(80,027)</u>
	Share capital	Share premium	Retained earnings	Total
	£ 000	£ 000	£ 000	£ 000
At 1 January 2020	17,901	1,847	(7,263)	12,485
Loss for the year	-	-	(88,773)	(88,773)
Total comprehensive expense	-	-	(88,773)	(88,773)
At 31 December 2020	<u>17,901</u>	<u>1,847</u>	<u>(96,036)</u>	<u>(76,288)</u>

The notes on pages 15 to 44 form an integral part of these financial statements.

CalEnergy Resources Limited
Statement of Cash Flows for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Loss for the year		(3,739)	(88,773)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	60	50
Impairment of investments		833	8,231
Estimated credit loss/release of loans to group undertakings		3,751	82,454
Finance income	6	(8,067)	(4,553)
Finance costs	6	7,926	4,358
Income tax credit	8	(702)	(2,456)
		62	(689)
Increase in trade and other receivables	11	(23)	(57)
Decrease in trade and other payables	16	(62)	(97)
Cash used in operations		(23)	(843)
Income taxes received	8	571	659
Net cash flow from/ (used in) operating activities		548	(184)
Cash flows from investing activities			
Movement in related party receivables		(106,007)	(109,915)
Acquisitions of property plant and equipment		(67)	(112)
Interest received		8,067	4,553
Net cash flows used in investing activities		(98,007)	(105,474)
Cash flows from financing activities			
Movement in related party payables		104,634	110,292
Interest paid		(7,884)	(4,413)
Net cash flows from financing activities		96,750	105,879
Net (decrease)/increase in cash and cash equivalents		(709)	221
Cash and cash equivalents at 1 January		912	636
Effect of exchange rate fluctuations on cash held		(42)	55
Cash and cash equivalents at 31 December		161	912

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The Company is a private company limited by share capital, incorporated under the Companies Act 2006 and domiciled in England and Wales.

The address of its registered office is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

The principal activity of the Company is to act as a holding company for investments in oil and gas assets.

2 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The Company has not prepared consolidated financial statements for the CalEnergy Resources Group because they are exempt:

- It is a wholly-owned subsidiary of another entity that does not object to the Company not presenting consolidated financial statements;
- It has no debt or equity instruments traded in the public market;
- It has not, and is not in the process of, filing its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market; and
- Its parent company; Northern Powergrid Holdings Company, presents consolidated financial statements that are available for public use and comply with IFRSs.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Going Concern

A review of the Company's financial risk management objectives, details of its exposures to trading risk, credit risk and liquidity risk are set out in the appropriate Notes to the financial statements.

The Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with net current liabilities position obtaining a letter of support from Northern Powergrid Holdings Company.

When considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, the directors have taken into account a number of factors, including the following:

- The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc, are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
- The Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc hold investment grade credit ratings;
- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 16 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
- The Northern Powergrid Group benefits from strong investment-grade credit ratings which allow access to a range of financing options. A successful bond issue by the Northern Powergrid Group in April 2022, demonstrates that the Northern Powergrid Group's bonds remain attractive to investors and there is an active market with strong appetite to invest;
- The Northern Powergrid Group has prepared forecasts which taking into account reasonable possible changes in trading performance, show that the Northern Powergrid Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts. The directors have had discussions with the bank who have indicated that they would continue to provide the short-term facilities to the Northern Powergrid Group for the foreseeable future on acceptable terms; and
- Consideration was also given to the obligations contained in the Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely within the eight-year period or beyond.

Consequently, after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, a letter of support was received from Northern Powergrid Holdings Company, a company in the Northern Powergrid Group. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Critical judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the significant effect on amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

In the preparation of financial statements in conformity with IFRS the Directors have identified the following key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Impairment on investments - estimates of impairment are dependent upon the performance of ongoing projects in its subsidiaries, detailed in Note 10.
- Estimated Credit Losses (ECL) on loan receivables - estimated credit losses are dependent upon a number of factors as explained in the Financial Instruments accounting policy and Note 11 where an ECL on intercompany loans have been recognised in the year.

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment, the valuation of financial instruments as explained in more detail below:

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Changes in accounting policy

Effective for periods beginning on or after 1 January 2021

- Amendments to IFRS 16 - COVID-19 related rent concessions.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform.

These amendments did not have a material impact on the financial statements.

The other amendments have had no material impact on the financial statements including the comparatives.

The Directors have considered new accounting standards issued that are not yet applicable and have noted no material changes are likely to arise.

Finance income and costs policy

All borrowing costs are recognised in profit or loss in the period which they are incurred.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Furniture, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price of the asset and any costs, including internal employee and other costs, directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives; office equipment is depreciated using the straight-line method over 3 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any material changes in those estimates accounted for on a prospective basis.

Investments

Investments are stated at cost less provision or amounts written off for any impairment in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of non-financial assets

At the balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Derecognition

Financial assets

The Company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the Company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised;

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined;

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial liabilities

If the terms of a financial liabilities are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Impairment of financial assets

Measurement of Expected Credit Losses

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments;
- Accounts and other receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

The Company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the Company.

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For intercompany financial instruments, an assessment of the Company's cash flow forecasts are performed to estimate the ability for any receivables to be repaid. Key estimates are applied when determining the expected cash flows with the main estimate being the probability of current gas exploration projects progressing and their subsequent returns.

3 Other losses

The analysis of the Company's other losses for the year is as follows:

	2021	2020
	£ 000	£ 000
Impairment on investment	(834)	(8,231)
Estimated credit loss on intercompany loans	10,235	(82,454)
Release of intercompany receivable	<u>(13,986)</u>	<u>-</u>
	<u><u>(4,585)</u></u>	<u><u>(90,685)</u></u>

The above items are related to instruments measured at amortised cost.

Further detail on the impairment on investment and estimated credit loss can be found in Notes 10 and 11, respectively.

CalEnergy Resources Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****4 Operating loss**

Arrived at after charging

	2021 £ 000	2020 £ 000
Depreciation expense	<u>60</u>	<u>50</u>

Depreciation is included in administrative expenses.

5 Employees and directors

	2021 £ 000	2020 £ 000
Salaries	1,025	1,095
Social security costs	134	143
Defined benefit pension costs	-	122
Defined contribution pension costs	<u>136</u>	<u>111</u>
	1,295	1,471
Less amounts charged to other Group undertakings	<u>(1,205)</u>	<u>(1,164)</u>
	<u>90</u>	<u>307</u>

During the year the last employee of the defined benefit scheme left the Company, with the remaining employees being members of the Northern Powergrid Pension Scheme, details of both are given in the employee benefits Note 17. The Company's contribution into the defined benefit scheme is on a cash basis and therefore there is no pension asset or liability with respect to the scheme.

The monthly average number of persons employed by the company during the year, analysed by category was as follows:

	2021 No.	2020 No.
Technical	5	5
Administration and support	3	3
Management	<u>1</u>	<u>1</u>
	<u>9</u>	<u>9</u>

Directors' remuneration

Highest paid and total directors' remuneration:

	2021 £ 000	2020 £ 000
Short-term employee benefits	194	226
Post-employment benefits	28	-
Deferred bonus	<u>13</u>	<u>-</u>
	<u>235</u>	<u>226</u>

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Finance income and costs

	2021	2020
	£ 000	£ 000
Finance income		
Interest received from Group undertakings	8,067	4,553
Finance costs		
Foreign exchange (losses)/gains	(42)	55
Interest paid to group undertakings	<u>(7,884)</u>	<u>(4,413)</u>
Total finance costs	<u>(7,926)</u>	<u>(4,358)</u>
Net finance income	<u>141</u>	<u>195</u>

7 Auditor's remuneration

	2021	2020
	£ 000	£ 000
Audit of the financial statements	<u>25</u>	<u>25</u>

There were no non-audit services for current or prior year.

8 Income tax

Tax credited in the income statement

	2021	2020
	£ 000	£ 000
Current taxation		
UK corporation tax	(429)	(561)
UK corporation tax adjustment to prior periods	<u>-</u>	<u>(43)</u>
	<u>(429)</u>	<u>(604)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(267)	(1,365)
Deferred tax credit from unrecognised temporary difference from a prior period	-	(961)
Deferred tax (income)/ expense relating to changes in tax rates or laws	<u>(6)</u>	<u>474</u>
Total deferred taxation	<u>(273)</u>	<u>(1,852)</u>
Tax receipt in the income statement	<u>(702)</u>	<u>(2,456)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Income tax (continued)

	2021 £ 000	2020 £ 000
Loss before tax	(4,441)	(91,229)
Corporation tax at standard rate	(844)	(17,334)
Decrease in current tax from adjustment for prior periods	-	(43)
Impairment of fixed asset investment	158	1,564
Decrease in deferred tax liability in relation to holdover relief due to reinvestment into non depreciating assets	(267)	(1,367)
Decrease in deferred tax from adjustment for prior periods	-	(961)
Deferred tax (income)/ expense relating to changes in tax rates or laws	(6)	474
Release of intercompany receivable	2,658	-
Expected credit loss on intercompany receivables	(1,945)	15,667
Other tax effects for reconciliation between accounting profit and tax credit	(456)	(456)
Total tax credit	(702)	(2,456)

Finance Act 2021 was enacted on the 10 June 2021 and the impact of the Finance Act 2021 has increased the rate of corporation tax from 19% to 25% from 1 April 2023. As a result, deferred tax balances have been re-measured at the 25% rate and this remeasurement (after taking into account the estimated temporary differences which will reverse at the 19% rate prior to 1 April 2023) has given rise to a reduction in the deferred tax liability of £6,000 which is reflected within the above tax charge.

Finance Act 2020 was enacted in July 2020 and as a result, the rate of corporation tax has been held at 19% as the Finance Act 2020 effectively removed the proposed reduction to 17% which was included within Finance Bill 2016. As a result, deferred tax balances have been re-measured at the 19% rate and this remeasurement has given rise to an increased deferred tax liability of £474,000 as at 31 December 2020 which is reflected within the 31 December 2020 period end tax charge.

There is no uncertainty over the acceptable income tax treatment. Should any uncertainties arise the Company will apply adopted amendments to IFRIC 23.

CalEnergy Resources Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****8 Income tax (continued)****Deferred tax**

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Holdover relief	3,156	(267)	2,889
Accelerated tax depreciation	(19)	(6)	(25)
Net tax liabilities	<u>3,137</u>	<u>(273)</u>	<u>2,864</u>

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Holdover relief	5,008	(1,852)	3,156
Accelerated tax depreciation	(19)	-	(19)
Net tax liabilities	<u>4,989</u>	<u>(1,852)</u>	<u>3,137</u>

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Property, plant and equipment

	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	737	737
Additions	112	112
At 31 December 2020	849	849
At 1 January 2021	849	849
Additions	67	67
At 31 December 2021	916	916
Depreciation		
At 1 January 2020	619	619
Charge for year	50	50
At 31 December 2020	669	669
At 1 January 2021	669	669
Charge for the year	60	60
At 31 December 2021	729	729
Carrying amount		
At 31 December 2020	180	180
At 31 December 2021	187	187

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Investments

Investments in Group undertakings	£ 000
Cost or valuation	
At 1 January 2020	13,458
Impairment	<u>(8,231)</u>
At 31 December 2020	<u>5,227</u>
At 1 January 2021	5,227
Impairment	<u>(833)</u>
At 31 December 2021	<u>4,394</u>
Carrying amount	
At 31 December 2021	<u>4,394</u>
At 1 January 2020	<u>5,227</u>

The recoverable value of investments have been assessed, based upon the higher of fair value less costs to sell and value in use. This has resulted in impairments being recognised during the year-ended 31 December 2021 of £0.8m (2020: £8.2m) as detailed below:

An impairment charge of £0.8m (2020: £2.7m) has been recognised in relation to the investment in NewGen Drilling Pty Limited. A number of assumptions were applied in calculating the recoverable value, the main being the valuation of the Drilling Rig.

Due to the uncertainty over the Baltic Gas Project and as CalEnergy Resources Poland ("CRP") has no other assets and therefore no reliable revenue sources on which to calculate value in use, the £2.8m carrying value of the Baltic Gas Project within CRP was fully written down in the year ended 31 December 2020.

The uncertainty over the Platypus Project has resulted in the £2.7m investment in CalEnergy Gas Limited being fully written down in the year ended 31 December 2020 as the company has no other reliable revenue sources on which to calculate its value in use. During the year ended 31 December 2021 the license in the Platypus Project expired and was not renewed.

CalEnergy Resources Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****10 Investments (continued)**

Details of the subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Ownership interest and voting rights held	
			2021	2020
CalEnergy Gas Limited*	Hydrocarbon exploration and development	Lloyds Court, 78 Grey Street, Newcastle, NE1 6AF England and Wales	100%	100%
CalEnergy Resources (Australia) Limited*	Hydrocarbon exploration and development	Lloyds Court, 78 Grey Street, Newcastle, NE1 6AF England and Wales	100%	100%
CalEnergy Resources (UK) Limited*	Hydrocarbon exploration and development	Lloyds Court, 78 Grey Street, Newcastle, NE1 6AF	100%	100%
CalEnergy Resources Poland Sp. z o.o.*	Hydrocarbon exploration and development	Al. Wilanowska 206 app. 19, 02-765, Warsaw Poland	100%	100%
NewGen Drilling Pty Limited*	Services to hydrocarbon exploration	Level 1, 12 St Georges Terrace, Perth, WA 6000, Australia	80%	80%

* indicates direct investment of the Company. The class of shares related to the above companies are ordinary shares.

Associates

Details of the associates as at 31 December 2021 are as follows:

Name of associate	Principal activity	Registered office	Ownership interest and voting rights held	
			2021	2020
Baltic Gas Sp. z o.o.	General partner in Baltic Gas project.	ul. Stary Dwór 9, 80-758 Gdansk Poland	50%	50%
Baltic Gas Sp. z o.o. i Wspólnicy Spółka Komandytowa	Hydrocarbon exploration and development	ul. Stary Dwór 9, 80-758 Gdansk Poland	49%	49%

CalEnergy Resources Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****11 Trade and other receivables**

	31 December 2021 £ 000	31 December 2020 £ 000
Current trade receivables		
Trade receivables	208	185
Amounts owed from related parties	294,531	202,510
Estimated credit loss	<u>(72,219)</u>	<u>(82,454)</u>
	222,520	120,241
Non-current trade receivables		
Amounts owed from related parties	<u>40,000</u>	<u>40,000</u>
	<u>262,520</u>	<u>160,241</u>

The average credit period on receivables is 30 days. No interest is charged on outstanding trade receivables.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. None of the trade receivables are past due and experience has shown that trade receivables not past due have no material credit loss.

The amounts due from related parties are intercompany revolving facilities until March 2023 that are re-approved on a regular basis but become repayable immediately if any of the companies leave the Group. The amounts to NewGen Drilling Pty Ltd, CalEnergy Resources (Australia) Limited and CalEnergy Gas Limited are non interest bearing. The development loan to CalEnergy Resources Poland Sp. z o.o. is charged at base rate + 0.5% margin and the loan to CalEnergy Resources (UK) Limited is charged at base rate + 3.0% margin.

At the reporting date, in accordance with IFRS 9 Financial Instruments, an expected credit loss (ECL) was recognised for £72.2m (2020: £82.5). The ECL was estimated through review of the cashflow position of CEH over the ten-year period to 2030. Key estimates were applied when determining the expected cashflows. The main estimate being the probability of current gas exploration projects progressing and their subsequent returns. It is possible that outcomes within the next financial year could differ from the assumptions applied and result in an adjustment to the position.

The £40 million non current loan to CalEnergy Resources (UK) Limited expires on the 31 December 2029 and is at a fixed rate of 6%. No ECL is recognised in relation to this loan.

12 Cash and cash equivalents

	31 December 2021 £ 000	31 December 2020 £ 000
Cash at bank	<u>161</u>	<u>912</u>

CalEnergy Resources Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****12 Cash and cash equivalents (continued)**

Cash and cash equivalents have a maturity of less than three months, are readily convertible to cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

13 Share capital**Authorised, allotted, called up and fully paid shares**

	31 December 2021		31 December 2020	
	No.	£	No.	£
Preference shares of £1 each	17,897,530	17,897,530	17,897,530	17,897,530
Ordinary shares of £0.01 each	375,125	3,751	375,125	3,751
	<u>18,272,655</u>	<u>17,901,281</u>	<u>18,272,655</u>	<u>17,901,281</u>

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.

14 Reserves

	Retained earnings £ 000
At 1 January 2021	(96,036)
Loss for the year	<u>(3,739)</u>
Total comprehensive expense	<u>(3,739)</u>
At 31 December 2021	<u>(99,775)</u>
	Retained earnings £ 000
At 1 January 2020	(7,263)
Loss for the year	<u>(88,773)</u>
Total comprehensive expense	<u>(88,773)</u>
At 31 December 2020	<u>(96,036)</u>

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Loans and borrowings

	31 December 2021 £ 000	31 December 2020 £ 000
Non-current amounts owed to Group undertakings	40,000	40,000
Current amounts owed to Group undertakings	303,943	199,316
	<u>343,943</u>	<u>239,316</u>

	Book value		Fair value	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Amounts owed to Group undertakings	343,943	239,316	343,943	239,316
	<u>343,943</u>	<u>239,316</u>	<u>343,943</u>	<u>239,316</u>

The directors consider that the carrying amount of borrowings approximates their fair value calculated by discounting the future cash flows at the market rate at the reporting date.

The loans are non-secured. Amounts owed to Group undertakings carry no credit risk as all the group companies are actively supported and funded by the rest of the Northern Powergrid Group which maintains an investment grade credit rating. The liquidity risk is minimal due to support provided by the Northern Powergrid Group. Some market risk exists due to the variable interest rate, however this is offset by the support of the Northern Powergrid Group. The non-current loan to Group undertakings is at fixed rate of 6%. Current loans range from base rate interest to non interest bearing.

16 Trade and other payables

	31 December 2021 £ 000	31 December 2020 £ 000
Accrued expenses	352	414
Amounts due to related parties	7	-
	<u>359</u>	<u>414</u>

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 20, "Financial Risk Review".

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

17 Pension and other schemes

Defined benefit pension scheme

The wider group operates a defined benefit pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £0.0 million (2020 - £0.1 million).

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £0.1 million (2020: £0.1).

Detailed information on the Northern Powergrid pension schemes is available in the Northern Powergrid Holdings Company financial statements, available from Lloyds Court, 78 Grey Street, Newcastle upon Tyne, Tyne and Wear, NE1 6AF.

18 Net debt reconciliation

	At 1 January 2021 £ 000	Financing cash flows £ 000	Other changes £ 000	At 31 December 2021 £ 000
Cash and cash equivalents	912	(709)	(42)	161
Borrowings	(239,316)	(104,634)	7	(343,943)
	<u>(238,404)</u>	<u>(105,343)</u>	<u>(35)</u>	<u>(343,782)</u>

	At 1 January 2020 £ 000	Cash flows £ 000	Other changes £ 000	At 31 December 2020 £ 000
Cash and cash equivalents	636	221	55	912
Borrowings	(129,017)	(110,292)	(7)	(239,316)
	<u>(128,381)</u>	<u>(110,071)</u>	<u>48</u>	<u>(238,404)</u>

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

19 Classification of financial and non-financial assets and financial and non-financial liabilities

The classification of financial assets and liabilities by accounting categorisation as at 31 December 2021 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets			
Non-current assets			
Property, plant and equipment	-	-	187
Investments in subsidiaries, joint ventures and associates	-	-	4,394
Trade and other receivables	40,000	-	-
	<u>40,000</u>	<u>-</u>	<u>4,581</u>
Current assets			
Trade and other receivables	222,520	-	-
Cash and cash equivalents	161	-	-
	<u>222,681</u>	<u>-</u>	<u>-</u>
Total assets	<u>262,681</u>	<u>-</u>	<u>4,581</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(40,000)	-
Deferred tax liabilities	-	-	(2,864)
	<u>-</u>	<u>(40,000)</u>	<u>(2,864)</u>
Current liabilities			
Trade and other payables	-	(359)	-
Loans and borrowings	-	(303,943)	-
Income tax liability	(123)	-	-
	<u>(123)</u>	<u>(304,302)</u>	<u>-</u>
Total liabilities	<u>(123)</u>	<u>(344,302)</u>	<u>(2,864)</u>

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

19 Classification of financial and non-financial assets and financial and non-financial liabilities (continued)

The classification of financial assets and liabilities by accounting categorisation as at 31 December 2020 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets			
Non-current assets			
Property, plant and equipment	-	-	180
Investments in subsidiaries, joint ventures and associates	-	-	5,227
Trade and other receivables	40,000	-	-
	<u>40,000</u>	<u>-</u>	<u>5,407</u>
Current assets			
Trade and other receivables	120,241	-	-
Income tax asset	19	-	-
Cash and cash equivalents	912	-	-
	<u>121,172</u>	<u>-</u>	<u>-</u>
Total assets	<u>161,172</u>	<u>-</u>	<u>5,407</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(40,000)	-
Deferred tax liabilities	-	-	(3,137)
	<u>-</u>	<u>(40,000)</u>	<u>(3,137)</u>
Current liabilities			
Trade and other payables	-	(414)	-
Loans and borrowings	-	(199,316)	-
	<u>-</u>	<u>(199,730)</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>(239,730)</u>	<u>(3,137)</u>

The fair value of assets classified as fair value through profit or loss are valued using level 3 inputs.

CalEnergy Resources Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****20 Financial risk review**

This Note presents information about the Company's exposure to financial risks and the Company's management of capital.

Capital management

The Group manages its capital centrally to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The capital structure of the Company consists of net debt (borrowings as detailed in Note 15 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 13 and 14). The Company has no externally imposed capital requirements.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

20 Financial risk review (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

There is no expected credit loss as the receivables are with a related party that is supported by the Northern Powergrid Group.

Liquidity risk

Ultimate responsibility of liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Maturity analysis for financial liabilities

The following tables set out the remaining contractual maturities of the company's financial assets and financial liabilities by type.

2021	Total outflow	1-3 months	4 months - 1 year	1-5 years
Non-derivative liabilities	£ 000	£ 000	£ 000	£ 000
Non-interest bearing liabilities	359	359	-	-
Variable interest rate liabilities	303,943	303,943	-	-
Fixed interest rate liabilities	59,200	-	2,400	9,600

2021	More than 5 years
Non-derivative liabilities	£ 000
Non-interest bearing liabilities	-
Variable interest rate liabilities	-
Fixed interest rate liabilities	47,200

2020	Total outflow	1-3 months	4 months - 1 year	1-5 years
Non-derivative liabilities	£ 000	£ 000	£ 000	£ 000
Non-interest bearing liabilities	414	414	-	-
Variable interest rate liabilities	199,316	199,316	-	-
Fixed interest rate liabilities	61,600	-	2,400	9,600

CalEnergy Resources Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****20 Financial risk review (continued)**

2020	More than 5 years £ 000
Non-derivative liabilities	
Non-interest bearing liabilities	-
Variable interest rate liabilities	-
Fixed interest rate liabilities	<u>49,600</u>

Market risk

The Company's activities do not expose it to significant financial risks of changes in foreign currency exchange rates and interest rates. Materially all income and expenses are denominated in pound sterling and the Company maintains a immaterial foreign currency cash balance. Loans to and from related parties are all at floating rates so any movements in interest rate would be largely offset between the two.

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)
21 Related party transactions

	Transfers from related parties £ 000	Transfers to related parties £ 000	Amounts due from/(to) related parties £ 000	Interest paid to related parties £ 000
2021				
CalEnergy Gas Limited	-	762	27	-
CalEnergy Gas (Holdings) Limited	(262)	3,743	(84,567)	(89)
CalEnergy Resources (Australia) Limited	(1,778)	801	35,073	-
CalEnergy Resources Poland Sp. z o.o.	-	930	37,276	-
NewGen Drilling Limited	-	-	883	-
Northern Powergrid Holdings Company	-	-	(259,376)	(7,795)
CalEnergy Resources (UK) Limited	(1,548)	-	261,273	-
	<u>(3,588)</u>	<u>6,236</u>	<u>(9,411)</u>	<u>(7,884)</u>
2020				
CalEnergy Gas Limited	-	1,010	12,291	-
CalEnergy Gas (Holdings) Limited	(260)	1,307	(82,479)	(179)
CalEnergy Resources (Australia) Limited	(2,088)	715	34,222	-
CalEnergy Resources Poland Sp. z o.o.	-	1,190	36,125	-
NewGen Drilling Limited	-	-	925	-
Northern Powergrid Holdings Company	-	-	(156,837)	(4,234)
CalEnergy Resources (UK) Limited	-	721	158,947	-
	<u>(2,348)</u>	<u>4,943</u>	<u>3,194</u>	<u>(4,413)</u>

CalEnergy Resources Limited
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

21 Related party transactions (continued)

	Interest received from related parties £ 000
2021	
CalEnergy Gas Limited	-
CalEnergy Gas (Holdings) Limited	-
CalEnergy Resources (Australia) Limited	-
CalEnergy Resources Poland Sp. z o.o.	222
NewGen Drilling Limited	-
Northern Powergrid Holdings Company	-
CalEnergy Resources (UK) Limited	7,846
	<u>8,068</u>
2020	
CalEnergy Gas Limited	-
CalEnergy Gas (Holdings) Limited	-
CalEnergy Resources (Australia) Limited	-
CalEnergy Resources Poland Sp. z o.o.	254
NewGen Drilling Limited	-
Northern Powergrid Holdings Company	-
CalEnergy Resources (UK) Limited	4,299
	<u>4,553</u>

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 to related parties.

During the year ended 31 December 2021 there was a write off of the loan between CalEnergy Resources Limited and CalEnergy Gas Limited for £14.0 million.

For more information on amounts due from/(to) related parties please refer to Note 11 trade and other receivables and Note 15 loans and borrowings, respectively.

CalEnergy Resources Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

22 Parent and ultimate parent undertaking

The Company's immediate parent is CalEnergy Gas (Holdings) Limited.

The ultimate parent and controlling party is Berkshire Hathaway, Inc. These financial statements are available upon request from 3555 Farnam Street, Omaha, Nebraska 68131.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Berkshire Hathaway, Inc, incorporated in United States.

The registered address of Berkshire Hathaway, Inc is: 3555 Farnam Street, Omaha, Nebraska 68131.

The parent of the smallest group in which these financial statements are consolidated is Northern Powergrid Holdings Company, incorporated in United Kingdom.

The registered address of Northern Powergrid Holdings Company and location where the Group financial statements can be obtained is: Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.