

Registered number: 04508881 (England and Wales)

# CalEnergy Resources Limited

Annual Report and Financial Statements  
for the Year Ended 31 December 2022

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## **CalEnergy Resources Limited**

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## **CalEnergy Resources Limited**

### **Company Information**

<b>Directors</b>	T H France A P Jones P A Jones
<b>Company Secretary</b>	J C Riley
<b>Registered office</b>	Lloyds Court 78 Grey Street Newcastle upon Tyne, England NE1 6AF
<b>Registered number</b>	04508881 (England and Wales)
<b>Auditor</b>	Deloitte LLP Statutory auditor Newcastle upon Tyne United Kingdom

## **CalEnergy Resources Limited**

### **Strategic Report for the Year Ended 31 December 2022**

The directors present the annual reports and financial statements for the year ended 31 December 2022 of CalEnergy Resources Limited (the "Company"), which have been drawn up and presented in accordance with the Companies Act 2006.

#### **BUSINESS REVIEW**

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, and renewables 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%.

#### **KEY PERFORMANCE INDICATORS**

The directors manage the Company's operations on a Northern Powergrid Group basis. Accordingly, the development, performance and position of the Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company.

#### **PRINCIPAL RISKS & UNCERTAINTIES**

Details regarding the main features of the Northern Powergrid Group's internal control and risk management systems can be found in the annual reports and financial statements of Northern Powergrid Holdings Company for the year to 31 December 2022.

#### **SECTION 172(1) STATEMENT**

The information pursuant to Section 414CZA of the Companies Act 2006 which describes how the directors have had regard to the matters set out in Section 172(1) (a) to (f) when performing their duty under Section 172 is set out below:

- (a) The likely consequences of any decision in the long-term. Decisions are made with due regard to the principal activity of the Company and the wider impact upon the Northern Powergrid Group, the interests of the Company's employees. The relationship with employees is managed on a Northern Powergrid Group basis. Further detail is therefore provided in the annual report and financial statements of Northern Powergrid Holdings Company.
- (b) The need to foster the Company's business relationships with suppliers, customers and others. The Company does not have customers or interact with suppliers.
- (c) The impact of the Company's operations on the community and the environment. The Company's operation has negligible impact on the community and environment.
- (d) The desirability of the Company maintaining a reputation for high standards of business conduct. In common with Northern Powergrid Group, the Company has adopted the Berkshire Hathaway Energy Company's Core Principles which includes Regulatory Integrity. This requires that the Company's affairs are managed in accordance with the highest behavioural standards and adherence to a policy of strict compliance with all relevant standards, legislation and regulatory conditions.
- (e) The need to act fairly between members of the Company. The Company has two classes of shares which are held by CalEnergy Gas (Holdings) Limited.

Approved by the Board on 29 September 2023 and signed on its behalf by:



A P Jones  
Director

## **CalEnergy Resources Limited**

### **Directors' Report for the Year Ended 31 December 2022**

The directors present their report and the of CalEnergy Resources Limited (the "Company") for the year ended 31 December 2022.

#### **Dividends**

During the year no interim dividend was paid (2021: £nil). The directors recommend that no final dividend be paid in respect of the year (2021: £nil).

#### **Directors of the Company**

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

T H France

A P Jones (appointed 14 April 2022)

S J Lockwood (Resigned 14 April 2022)

P A Jones

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.

#### **Future developments and future outlook**

There have been no significant events since the year-end. The Company will continue to act as an investment company. There are no plans to change the existing business model.

#### **Financial risk management**

Details of financial risks are covered in Note 20, within the notes to the financial statements.

#### **Research and development**

The Company does not undertake research and development.

#### **Political donations**

During the year, no contributions were made to political organisations (2021: £nil).

**CalEnergy Resources Limited**  
**Directors' Report for the Year Ended 31 December 2022 (continued)**

**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. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the 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 that directors:

- 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.

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.

## **CalEnergy Resources Limited**

### **Directors' Report for the Year Ended 31 December 2022 (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 obtain 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 18 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, demonstrated 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 2022 (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 29 September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A P Jones', with a long horizontal line extending to the right.

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 2022 and of its profit 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 Board (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, 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](http://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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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.

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

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 Strategic Report and the Directors' Report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to 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;
- 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

29 September 2023

**CalEnergy Resources Limited**  
**Statement of Profit or Loss for the Year Ended 31 December 2022**

	Note	2022 £ 000	2021 £ 000
Revenue		-	-
Administrative expenses		<u>43</u>	<u>3</u>
Operating profit		43	3
Other gains/(losses)	3	33,159	(4,585)
Finance costs	6	(14,168)	(7,926)
Finance income	6	<u>13,328</u>	<u>8,067</u>
Profit/(loss) before tax		32,362	(4,441)
Income tax credit	8	<u>3,133</u>	<u>702</u>
Profit/(loss) for the year		<u><u>35,495</u></u>	<u><u>(3,739)</u></u>

**CalEnergy Resources Limited**  
**Statement of Comprehensive Income for the Year Ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit/(loss) for the year	<u>35,495</u>	<u>(3,739)</u>
Total comprehensive income/(expense) for the year	<u><u>35,495</u></u>	<u><u>(3,739)</u></u>

**CalEnergy Resources Limited**  
**(Registration number: 04508881)**  
**Statement of Financial Position as at 31 December 2022**

	Note	31 December 2022 £ 000	31 December 2021 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	204	187
Investments in subsidiaries, joint ventures and associates	10	119,394	4,394
Deferred tax assets	8	43	-
Trade and other receivables	11	40,000	40,000
		<u>159,641</u>	<u>44,581</u>
<b>Current assets</b>			
Trade and other receivables	11	296,823	222,520
Cash and cash equivalents	12	58	161
		<u>296,881</u>	<u>222,681</u>
<b>Total assets</b>		<u>456,522</u>	<u>267,262</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	(132,901)	(17,901)
Share premium		(1,847)	(1,847)
Retained earnings	14	64,280	99,775
<b>Total equity</b>		<u>(70,468)</u>	<u>80,027</u>
<b>Non-current liabilities</b>			
Loans and borrowings	15	(40,000)	(40,000)
Deferred tax liabilities	8	-	(2,864)
		<u>(40,000)</u>	<u>(42,864)</u>
<b>Current liabilities</b>			
Trade and other payables	16	(503)	(359)
Loans and borrowings	15	(344,951)	(303,943)
Income tax liability	8	(600)	(123)
		<u>(346,054)</u>	<u>(304,425)</u>
<b>Total liabilities</b>		<u>(386,054)</u>	<u>(347,289)</u>
<b>Total equity and liabilities</b>		<u>(456,522)</u>	<u>(267,262)</u>

Approved by the Board on 29 September 2023 and signed on its behalf by:



A P Jones  
Director



**CalEnergy Resources Limited**  
**Statement of Changes in Equity for the Year Ended 31 December 2022**

	<b>Share capital</b> <b>£ 000</b>	<b>Share premium</b> <b>£ 000</b>	<b>Retained earnings</b> <b>£ 000</b>	<b>Total</b> <b>£ 000</b>
At 1 January 2022	17,901	1,847	(99,775)	(80,027)
Profit for the year	-	-	35,495	35,495
Total comprehensive income	-	-	35,495	35,495
New share capital subscribed	115,000	-	-	115,000
At 31 December 2022	<u>132,901</u>	<u>1,847</u>	<u>(64,280)</u>	<u>70,468</u>
	<b>Share capital</b> <b>£ 000</b>	<b>Share premium</b> <b>£ 000</b>	<b>Retained earnings</b> <b>£ 000</b>	<b>Total</b> <b>£ 000</b>
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>

**CalEnergy Resources Limited**  
**Statement of Cash Flows for the Year Ended 31 December 2022**

	Note	2022 £ 000	2021 £ 000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		35,495	(3,739)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	66	60
Impairment of investments	10	-	833
Estimated credit (release)/loss of loans to group undertakings	3	(33,159)	3,751
Finance income	6	(13,328)	(8,067)
Finance costs	6	14,168	7,926
Income tax credit	8	(3,133)	(702)
		109	62
Increase in trade and other receivables	11	(81)	(23)
Increase/(decrease) in trade and other payables	16	150	(62)
Cash used in operations		178	(23)
Income taxes received		703	571
Net cash flow from operating activities		881	548
<b>Cash flows from investing activities</b>			
Movement in related party receivables		(41,070)	(106,007)
Increase in investment of subsidiaries	10	(115,000)	-
Acquisitions of property plant and equipment	9	(83)	(67)
Interest received	6	13,328	8,067
Net cash flows used in investing activities		(142,825)	(98,007)
<b>Cash flows from financing activities</b>			
Movement in related party payables		41,009	104,634
Interest paid		(14,207)	(7,884)
Proceeds from issue of ordinary shares, net of issue costs	13	115,000	-
Net cash flows from financing activities		141,802	96,750
Net decrease in cash and cash equivalents		(142)	(709)
Cash and cash equivalents at 1 January		161	912
Effect of exchange rate fluctuations on cash held		39	(42)
Cash and cash equivalents at 31 December	12	58	161

The Company has disclosed the underlying cash flows as operating, investing, or financing according to their nature on the basis that, as a principal, the entity has the right to the cash inflows and/or obligation to settle the liability and ensure clarity of disclosure of the cash costs of the business.

## **CalEnergy Resources Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **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 United Kingdom adopted International Accounting Standards and with International Financial Reporting Standards as issued by the IASB.

##### **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 2022 (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 18 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, demonstrated 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 2022 (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 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 2022 (continued)**

**2 Accounting policies (continued)**

**Dividends Accounting Policy**

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

**Changes in accounting policy**

*Effective for periods beginning on or after 1 January 2022*

- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant & Equipment - Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020

These amendments did not have a material impact on the

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 2022 (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 2022 (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 2022 (continued)**

**2 Accounting policies (continued)**

**Financial instruments (post January 2018)**

**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 2022 (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 2022 (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 2022 (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 2022 (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 2022 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 gains and losses**

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

	2022 £ 000	2021 £ 000
Impairment on investment	-	(834)
Credit release on intercompany receivables	33,159	10,235
Estimated credit loss on intercompany loans	-	(13,986)
	<u>33,159</u>	<u>(4,585)</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 2022 (continued)**

**4 Operating loss**

Arrived at after charging

	2022 £ 000	2021 £ 000
Depreciation expense	66	60

Depreciation is included in administrative expenses.

**5 Employees and directors**

	2022 £ 000	2021 £ 000
Salaries	1,136	1,025
Social security costs	171	134
Defined contribution pension costs	159	136
	1,466	1,295
Less amounts charged to other Group undertakings	(1,376)	(1,205)
	90	90

All employees in the company are members of the Northern Powergrid Pension Scheme, no current employees are part of the defined benefit scheme.

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

	2022 No.	2021 No.
Technical	5	5
Administration and support	3	3
Management	1	1
	9	9

**Directors' remuneration**

Highest paid and total directors' remuneration:

	2022 £ 000	2021 £ 000
Short-term employee benefits	192	194
Post-employment benefits	19	28
Deferred bonus	10	13
	221	235

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**6 Finance income and costs**

	2022 £ 000	2021 £ 000
<b>Finance income</b>		
Interest received from Group undertakings	13,328	8,067
<b>Finance costs</b>		
Foreign exchange gains/(losses)	39	(42)
Interest paid to group undertakings	(14,207)	(7,884)
Total finance costs	(14,168)	(7,926)
Net finance (costs)/income	(840)	141

**7 Auditor's remuneration**

	2022 £ 000	2021 £ 000
Audit of the financial statements	28	25

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

**8 Income tax**

Tax credited in the income statement

	2022 £ 000	2021 £ 000
<b>Current taxation</b>		
UK corporation tax	(594)	(429)
UK corporation tax adjustment to prior periods	368	-
	(226)	(429)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(2,907)	(267)
Deferred tax expense/(income) relating to changes in tax rates or laws	-	(6)
Total deferred taxation	(2,907)	(273)
Tax credit in the income statement	(3,133)	(702)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**8 Income tax (continued)**

	2022 £ 000	2021 £ 000
Profit/(loss) before tax	<u>32,362</u>	<u>(4,441)</u>
Corporation tax at standard rate	6,149	(844)
Increase in current tax from adjustment for prior periods	368	-
Impairment of fixed asset investment	-	158
Decrease in deferred tax liability in relation to holdover relief due to reinvestment into non depreciating assets	(2,889)	(267)
Deferred tax (income)/ expense relating to changes in tax rates or laws	-	(6)
Release of intercompany receivable	-	2,658
Items reversing at a higher tax rate	(4)	-
Expected credit loss on intercompany receivables	(6,300)	(1,945)
Other tax effects for reconciliation between accounting profit and tax credit	<u>(457)</u>	<u>(456)</u>
Total tax credit	<u>(3,133)</u>	<u>(702)</u>

The Autumn Budget 2022 confirmed that the corporation tax rate will increase to 25% from 1 April 2023 as previously enacted. Deferred tax balances are therefore measured at 25% at 31 December 2022 (25% at 31 December 2021) after taking into account the estimated effect of timing differences which will reverse at the 19% rate prior to 1 April 2023.

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 2022 (continued)**

**8 Income tax (continued)**

**Deferred tax**

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Holdover relief	2,889	(2,889)	
Accelerated tax depreciation	(25)	-	(25)
Other items	-	(18)	(18)
Net tax liabilities	<u>2,864</u>	<u>(2,907)</u>	<u>(43)</u>

Deferred tax movement during the prior 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)
Other items	-	-	(19)
Net tax liabilities	<u>3,137</u>	<u>(273)</u>	<u>2,864</u>

The other deferred tax asset of £18k (2021:nil) relates to employee benefits which are deductible on a paid basis.

**CalEnergy Resources Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**9 Property, plant and equipment**

	<b>Furniture, fittings and equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 1 January 2021	849	849
Additions	67	67
At 31 December 2021	916	916
At 1 January 2022	916	916
Additions	83	83
At 31 December 2022	999	999
<b>Depreciation</b>		
At 1 January 2021	669	669
Charge for year	60	60
At 31 December 2021	729	729
At 1 January 2022	729	729
Charge for the year	66	66
At 31 December 2022	795	795
<b>Carrying amount</b>		
At 31 December 2021	187	187
At 31 December 2022	204	204

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**10 Investments**

<b>Investments in Group undertakings</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 January 2021	5,227
Impairment	(833)
At 31 December 2021	4,394
At 1 January 2022	4,394
Additions	115,000
At 31 December 2022	119,394
<b>Carrying amount</b>	
At 31 December 2022	119,394
At 31 December 2021	4,394

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 2022 of £nil (2021: £0.8m) as detailed below:

In the year there has been no impairment charge (2021: £0.8m) recognised in relation to the investment in NewGen Drilling Pty Ltd. The investment continues to be valued at £4.4m (2021: £4.4m).

During the year the Company has injected £115m of new shares into CalEnergy Resources (Australia) Limited as it acquired two solar assets comprising of Gunnedah Solar Farm and Suntop Solar Farm from Canadian Solar Energy Holding Singapore Pte Ltd.

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**10 Investments (continued)**

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Ownership interest and voting rights held	
			2022	2021
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 2022 are as follows:

Name of associate	Principal activity	Registered office	Ownership interest and voting rights held	
			2022	2021
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 2022 (continued)**

**11 Trade and other receivables**

	31 December 2022 £ 000	31 December 2021 £ 000
<b>Current trade receivables</b>		
Trade receivables	289	208
Amounts owed from related parties	335,594	294,531
Estimated credit loss	(39,060)	(72,219)
	<u>296,823</u>	<u>222,520</u>
<b>Non-current trade receivables</b>		
Amounts owed from related parties	40,000	40,000
	<u>336,823</u>	<u>262,520</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 (extended with no end date in September 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 was extended to 31 July 2028 in September 2023 and the loan to CalEnergy Resources (UK) Limited which expires on 31 December 2029 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 £39.1m (2021: £72.2). The ECL was estimated through review of the cashflow position of CEH over the ten-year period to 2033. 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.

	31 December 2022 £ 000	31 December 2021 £ 000
<b>12 Cash and cash equivalents</b>		
Cash at bank	<u>58</u>	<u>161</u>

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (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**

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Preference shares of £1 each	132,897,530	132,897,530	17,897,530	17,897,530
Ordinary shares of £0.01 each	375,125	3,751	375,125	3,751
	<u>133,272,655</u>	<u>132,901,281</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.

During the year the Company issued 115m new preference shares at a value of £1 each. The increased share capital has been injected into the subsidiary CalEnergy Resources (Australia) Limited.

**14 Reserves**

	<b>Retained earnings £ 000</b>
At 1 January 2022	(99,775)
Profit for the year	<u>35,495</u>
Total comprehensive income	<u>35,495</u>
At 31 December 2022	<u>(64,280)</u>
	<b>Retained earnings £ 000</b>
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>

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**15 Loans and borrowings**

	31 December 2022 £ 000	31 December 2021 £ 000
Non-current amounts owed to Group undertakings	40,000	40,000
Current amounts owed to Group undertakings	<u>344,951</u>	<u>303,943</u>
	<u>384,951</u>	<u>343,943</u>

	Book value		Fair value	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Amounts owed to Group undertakings	<u>384,951</u>	<u>343,943</u>	<u>384,951</u>	<u>343,943</u>
	<u>384,951</u>	<u>343,943</u>	<u>384,951</u>	<u>343,943</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 2022 £ 000	31 December 2021 £ 000
Accrued expenses	503	352
Amounts due to related parties	<u>-</u>	<u>7</u>
	<u>503</u>	<u>359</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 2022 (continued)**

**17 Pension and other schemes**

**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 (2021: £0.1 million).

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 2022 £ 000	Financing cash flows £ 000	Other changes £ 000	At 31 December 2022 £ 000
Cash and cash equivalents	161	(142)	39	58
Borrowings	(343,943)	(41,009)	1	(384,951)
	<u>(343,782)</u>	<u>(41,151)</u>	<u>40</u>	<u>(384,893)</u>
	At 1 January 2021 £ 000	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>

The other changes represent the movements in foreign exchange gains/(losses) and accrued interest.



# CalEnergy Resources Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (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 2022 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	-	204
Investments in subsidiaries, joint ventures and associates	-	-	4,394
Deferred tax assets	-	-	43
Trade and other receivables	40,000	-	-
	<u>40,000</u>	<u>-</u>	<u>4,641</u>
<b>Current assets</b>			
Trade and other receivables	296,823	-	-
Cash and cash equivalents	58	-	-
	<u>296,881</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>336,881</u></u>	<u><u>-</u></u>	<u><u>4,641</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	-	(40,000)	-
<b>Current liabilities</b>			
Trade and other payables	-	(496)	(7)
Loans and borrowings	-	(344,951)	-
Income tax liability	-	-	(600)
	<u>-</u>	<u>(345,447)</u>	<u>(607)</u>
<b>Total liabilities</b>	<u><u>-</u></u>	<u><u>(385,447)</u></u>	<u><u>(607)</u></u>

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (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 2021 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
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>
<b>Current assets</b>			
Trade and other receivables	222,520	-	-
Cash and cash equivalents	161	-	-
	<u>222,681</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>262,681</u>	<u>-</u>	<u>4,581</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	-	(40,000)	-
Deferred tax liabilities	-	-	(2,864)
	<u>-</u>	<u>(40,000)</u>	<u>(2,864)</u>
<b>Current liabilities</b>			
Trade and other payables	-	(359)	-
Loans and borrowings	-	(303,943)	-
Income tax liability	(123)	-	-
	<u>(123)</u>	<u>(304,302)</u>	<u>-</u>
<b>Total liabilities</b>	<u>(123)</u>	<u>(344,302)</u>	<u>(2,864)</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 2022 (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 2021.

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 2022 (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.

<b>2022</b>	<b>Total outflow</b>	<b>1-3 months</b>	<b>4 months - 1</b>	<b>1-5 years</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>year</b>	<b>£ 000</b>
			<b>£ 000</b>	
<b>Non-derivative liabilities</b>				
Non-interest bearing liabilities	503	503	-	-
Variable interest rate liabilities	344,951	344,951	-	-
Fixed interest rate liabilities	<u>56,800</u>	<u>-</u>	<u>2,400</u>	<u>9,600</u>

				<b>More than 5</b>
				<b>years</b>
				<b>£ 000</b>
<b>2022</b>				
<b>Non-derivative liabilities</b>				
Non-interest bearing liabilities				-
Variable interest rate liabilities				-
Fixed interest rate liabilities				<u>44,800</u>

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

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**20 Financial risk review (continued)**

<b>2021</b>	<b>More than 5 years £ 000</b>
<b>Non-derivative liabilities</b>	
Non-interest bearing liabilities	-
Variable interest rate liabilities	-
Fixed interest rate liabilities	<u>47,200</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 2022 (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
<b>2022</b>				
CalEnergy Gas Limited	-	475	565	-
CalEnergy Gas (Holdings) Limited	(260)	781	(120,662)	(1,724)
CalEnergy Resources (Australia) Limited	(1,559)	1,096	66,830	-
CalEnergy Resources Poland Sp. z o.o.	-	601	38,752	-
NewGen Drilling Limited	-	-	1,492	-
Northern Powergrid Holdings Company	-	-	(264,110)	(12,483)
CalEnergy Resources (UK) Limited	-	1,428	267,771	-
	<u>(1,819)</u>	<u>4,381</u>	<u>(9,362)</u>	<u>(14,207)</u>
<b>2021</b>				
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>

**CalEnergy Resources Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**21 Related party transactions (continued)**

	Interest received from related parties £ 000
<b>2022</b>	
CalEnergy Gas Limited	-
CalEnergy Gas (Holdings) Limited	-
CalEnergy Resources (Australia) Limited	-
CalEnergy Resources Poland Sp. z o.o.	745
NewGen Drilling Limited	-
Northern Powergrid Holdings Company	-
CalEnergy Resources (UK) Limited	12,583
	<u>13,328</u>
<b>2021</b>	
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>

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 2022 (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.