

**Cuadrilla Resources Limited**

**Annual report and financial statements**

**Registered number 6472493**

**For the year ended 30 June 2021**



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## Strategic report

### Business review

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

On 2 November 2019, the UK Government imposed a moratorium on further hydraulic fracturing in England and the North Sea Transition Authority (NSTA) advised onshore shale gas explorers that new scientific evidence would be required to demonstrate that hydraulic fracturing can be conducted safely before it recommends lifting the moratorium. Cuadrilla continues to work with other Operators, the NSTA and UK industry to resolve concerns on hydraulic fracturing and support domestic gas production consistent with the UK goal of Net Zero CO<sub>2</sub> by 2050.

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

### Post balance sheet events

In April 2022 in response to growing calls from MPs, business leaders and the media, the Secretary of State at BEIS (SoS) wrote to the British Geological Survey (BGS) initiating a review of the "*geological science of shale gas fracturing and the modelling of seismic activity in shale rocks in the UK.*" The BGS has been asked to complete its review and report to the SoS by the end of June 2022. Cuadrilla has provided written input to the review and offered its full co-operation to the BGS.

### Principal risks and uncertainties

As a subsidiary of AJ Lucas Group Limited ("AJL"), the principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of AJL. The AJL Board has established policies on risk management. The AJL Board and the Audit and Risk Committee monitor risk exposure and ensure that the risk management system is operating effectively. A copy of the risk statement is available in the shareholder information section of AJL's website - [www.lucas.com.au](http://www.lucas.com.au).

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

- **Government moratorium** - In November 2019 the UK Government introduced a moratorium which paused hydraulic fracturing in England "unless and until further evidence is provided that it can be carried out safely in the UK." Cuadrilla continues to work with other Operators, the NSTA and UK industry to resolve concerns on hydraulic fracturing and support the UK goal of Net Zero CO<sub>2</sub> by 2050.
- **Exploration and appraisal risk** - The assessment of resources and reserves is inherently uncertain. The Company manages the risk of geological uncertainties in the exploration and appraisal phase by forming joint operating agreements with partners who have extensive expertise and experience and through the collection and extensive analysis of geological and seismic data, geomechanical studies, physical and chemical laboratory analyses and reservoir engineering data.
- **Climate Change** - The UK Government has a legal obligation to meet a target of Net Zero CO<sub>2</sub> by 2050. This will lead to a reduction in gas consumption and a requirement to capture and/or offset the CO<sub>2</sub> emissions from burning gas. Notwithstanding the Government and Climate Change Committee forecast a continuing and significant role for natural gas in the UK energy supply mix out to 2050 and beyond. Domestic shale gas has the potential to replace more expensive and higher CO<sub>2</sub> generating imported gas in meeting that gas demand.

## Strategic report (*continued*)

### Principal risks and uncertainties (*continued*)

- **Regulatory risk** – Through its drilling, hydraulic fracture stimulation and well testing operations, there is exposure to planning, licensing, regulatory, environmental and other legislative risks. Although a very robust legislative and regulatory framework is in place in the UK, the challenge is in ensuring the co-ordination between all regulators for timely and efficient decision making. The Board places considerable importance on maintaining the highest standards of regulatory compliance and developing successful working relationships with local communities and local and national government authorities.
- **Financial risk** – Cuadrilla Resources Limited is currently a pre-production exploration company with no sustainable income stream. It is therefore reliant on the financial support of its parent company AJL to continue to operate. AJL has provided this support since the formation of the Company and has advised that it intends to continue to do so for 12 months from the date of approval of these financial statements.
- **Currency, interest rate and credit risks** are not considered to be significant at this stage.

### Key Performance Indicators (“KPIs”)

The directors of AJL manage the group’s operations on a combined basis. For this reason, the Company’s directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

### Going concern

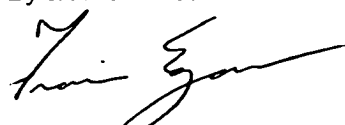
The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £45,764,000, which the directors believe to be appropriate for the following reasons:

The net liability position is primarily due to the difference between amounts owed to and receivable from fellow group companies. The directors have prepared cashflow forecasts for the 12-month period to 30 June 2023. The Company’s parent, AJL, has provided a letter of support to the Company indicating that for 12 months from the date of approval of these financial statements i.e., to 30 June 2023. The letter indicates that subject to successful refinancing by AJL, it will continue to provide the necessary financial support to enable the Company to trade and meet its liabilities as they fall due. The directors of the Company consider that this constitutes a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern.

The directors of the Company also acknowledge that AJL has set out in the AJL Group Interim Report for the half year ended 31 December 2021 a number of events and conditions which raise doubt about AJL’s ability to continue as a going concern, including the ability to refinance existing facilities which mature in the going concern assessment period. The directors are of the view that, other than the refinancing, these do not have any impact on AJL’s ability to provide the financial support to the Company as set out in the support letter and therefore continue to adopt the going concern basis in preparing these financial statements. These financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

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

By order of the board



**Francis Egan**  
Director

23 June 2022

## Directors' report

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

### Results and dividends

Due to the moratorium on hydraulic fracturing and the resulting decrease in activity of the subsidiary companies, the Company has reduced its overhead base and operating losses for the year have decreased to £192,000 (*six month period ended 30 June 2020: £1,083,000*).

The Company recognised a corporation tax credit in the period of £310,000 (*2020: £250,000*). The result for the period is a profit of £115,000 (*2020: loss £835,000*). The Directors do not recommend the payment of a dividend.

### Principal activities

The principal activity of the Company is the provision of management services to its subsidiary companies who are involved in the exploration of onshore oil and gas.

### Change of accounting year end

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

### Directors

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

Francis Egan

Julian Ball (appointed 1 September 2020)

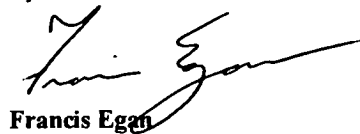
### Disclosure of information to auditor

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

### Auditor

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

By order of the board



Francis Egan  
Director

3000 Aviator Way  
Wythenshawe  
Manchester  
M22 5TG

23 June 2022

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') in conformity with the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs in conformity with the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

### **Opinion**

We have audited the financial statements of Cuadrilla Resources Limited for the year ended 30 June 2021 which comprise Income statement and comprehensive income, the Balance Sheet, Cash flow statement, the statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the financial statements, which describes that the Company relies upon support from the parent company, AJ Lucas Group Limited (AJL), which has disclosed material uncertainties in its latest financial statements. AJL has provided a letter indicating that subject to successful refinancing, it will continue to provide the necessary financial support to enable the Company to trade and meet its liabilities as they fall due. Accordingly, the ability of AJL to provide this financial support is uncertain.

As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

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

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

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

23 June 2022

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

	<i>Note</i>	<i>Year ended 30 June 2021 £000</i>	<i>Six month period ended 30 June 2020 £000</i>
<b>Revenue</b>	2	361	862
<b>Administrative expenses</b>		(553)	(1,945)
		<hr/>	<hr/>
<b>Operating loss</b>	5	(192)	(1,083)
<b>Finance income</b>	6	1	1
<b>Finance expenses</b>	6	(4)	(3)
		<hr/>	<hr/>
<b>Loss before tax</b>		(195)	(1,085)
<b>Taxation</b>	7	310	250
		<hr/>	<hr/>
<b>Profit/(loss) for the year/period</b>		<u>115</u>	<u>(835)</u>

The results above relate to continuing operations.

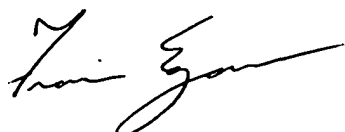
The Company has no other income or expenses recognised in the current year and previous period, other than those shown in the 'Income Statement and Comprehensive Income' above.

The accompanying notes on pages 13 to 27 form an integral part of these financial statements.

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

	<i>Note</i>	<b>30 June 2021</b> <b>£000</b>	<b>30 June 2020</b> <b>£000</b>
<b>Non-current assets</b>			
Investments in subsidiaries	11	1	1
		<u>1</u>	<u>1</u>
<b>Current assets</b>			
Trade and other receivables	12	63,085	64,736
Cash		1,340	213
		<u>64,425</u>	<u>64,949</u>
<b>Total assets</b>		<u><u>64,426</u></u>	<u><u>64,950</u></u>
<b>Current liabilities</b>			
Trade and other payables	13	(110,141)	(110,779)
Bank loans	14	(9)	-
		<u>(110,150)</u>	<u>(110,779)</u>
<b>Total current liabilities</b>		<u>(110,150)</u>	<u>(110,779)</u>
<b>Non-current liabilities</b>			
Bank loans	14	(40)	(50)
		<u>(40)</u>	<u>(50)</u>
<b>Total liabilities</b>		<u><u>(110,190)</u></u>	<u><u>(110,829)</u></u>
<b>Net liabilities</b>		<u><u>(45,764)</u></u>	<u><u>(45,879)</u></u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	15	-	-
Retained losses	15	(45,764)	(45,879)
		<u>(45,764)</u>	<u>(45,879)</u>
<b>Total deficit</b>		<u><u>(45,764)</u></u>	<u><u>(45,879)</u></u>

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



**Francis Egan**  
Director

Company registered number: 6472493

The accompanying notes on pages 13 to 27 form an integral part of these financial statements.

**Cash flow statement**  
*for the year ended 30 June 2021*

	<i>Year ended</i> <b>30 June 2021</b> £000	<i>Six month</i> <i>period ended</i> <b>30 June 2020</b> £000
<b><i>Cash flows from operating activities</i></b>		
<i>Loss before tax for the year/period</i>	(195)	(1,085)
<i>Adjustments for:</i>		
<i>Depreciation and amortisation*</i>	-	144
<i>Foreign exchange losses/(gains)</i>	27	(22)
<i>Reduction in expected credit loss provision for receivables</i>	(10)	-
<i>Impairment of other loans receivable</i>	-	710
<i>Finance income</i>	(1)	(1)
<i>Finance expenses</i>	4	3
<i>Decrease/(increase) in trade and other receivables</i>	1,411	(369)
<i>Decrease in trade and other payables</i>	(665)	(250)
	<hr/> 571	<hr/> (870)
<i>Tax received</i>	560	238
	<hr/>	<hr/>
<b><i>Net cash inflow/(outflow) from operating activities</i></b>	<b>1,131</b>	<b>(632)</b>
	<hr/>	<hr/>
<b><i>Cash flows from investing activities</i></b>		
<i>Finance income</i>	1	1
	<hr/>	<hr/>
<b><i>Net cash inflow from investing activities</i></b>	<b>1</b>	<b>1</b>
	<hr/>	<hr/>
<b><i>Cash flows from financing activities</i></b>		
<i>Repayment of principal portion of lease liability</i>	-	(70)
<i>Interest paid</i>	(4)	(3)
<i>(Repayment of)/proceeds from bank borrowings</i>	(1)	50
	<hr/>	<hr/>
<b><i>Net cash outflow from investing activities</i></b>	<b>(5)</b>	<b>(23)</b>
	<hr/>	<hr/>
<i>Net increase/(decrease) in cash</i>	1,127	(654)
<i>Cash at start of year/period</i>	213	845
<i>Effect of exchange rate fluctuations on cash held</i>	-	22
	<hr/>	<hr/>
<b><i>Cash at end of year/period</i></b>	<b>1,340</b>	<b>213</b>
	<hr/> <hr/>	<hr/> <hr/>

\*Depreciation and amortisation includes £nil (2020: £69,000) relating to right-of-use assets.

The accompanying notes on pages 13 to 27 form an integral part of these financial statements.

**Statement of changes in equity**  
*For the year ended 30 June 2021*

	<i>Share capital £000</i>	<i>Retained losses £000</i>	<i>Total Equity £000</i>
<i>Balance at 1 January 2020</i>	-	(45,044)	(45,044)
<i>Total recognised income and expense for the period</i>	-	(835)	(835)
	<hr/>	<hr/>	<hr/>
<i>Balance at 30 June 2020</i>	-	(45,879)	(45,879)
	<hr/>	<hr/>	<hr/>
<i>Balance at 1 July 2020</i>	-	(45,879)	(45,879)
<i>Total recognised income and expense for the year</i>	-	115	115
	<hr/>	<hr/>	<hr/>
<i>Balance at 30 June 2021</i>	-	(45,764)	(45,764)
	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 13 to 27 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

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

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

### *Measurement convention*

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

### *Going concern*

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report on page 1.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £45,764,000, which the directors believe to be appropriate for the following reasons:

The net liability position is primarily due to the difference between amounts owed to and receivable from fellow group companies. The directors have prepared cashflow forecasts for the 12-month period to 30 June 2023. The Company's parent, AJL, has provided a letter of support to the Company indicating that for 12 months from the date of approval of these financial statements i.e., to 30 June 2023. The letter indicates that subject to successful refinancing by AJL, it will continue to provide the necessary financial support to enable the Company to trade and meet its liabilities as they fall due. The directors of the Company consider that this constitutes a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

The directors of the Company also acknowledge that AJL has set out in the AJL Group Interim Report for the half year ended 31 December 2021 a number of events and conditions which raise doubt about AJL's ability to continue as a going concern, including the ability to refinance existing facilities which mature in the going concern assessment period. The directors are of the view that, other than the refinancing, these do not have any impact on AJL's ability to provide the financial support to the Company as set out in the support letter and therefore continue to adopt the going concern basis in preparing these financial statements. These financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

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

### *Foreign currency*

Transactions in foreign currencies are translated to the functional currencies of Company at the foreign exchange rate issued by the Bank of England at the beginning of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis within administrative costs.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Investments***

Investments in subsidiaries are stated at cost less impairment.

#### ***Non derivative financial instruments***

Non-derivative financial instruments comprise trade and other receivables and trade and other payables.

*Trade and other receivables* are recognised initially at fair value, less any impairment losses.

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

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

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

*Trade and other payables* are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### ***Property, plant and equipment***

Tangible fixed assets are classified as property, plant and equipment. These assets, which are not subject to depletion, are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of items of fixtures, fittings and equipment is 4 years.

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

#### ***Intangible assets – computer software***

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the expected useful economic life of 4 years.

#### ***Revenue***

Revenue is recognised at the fair value of the consideration received or receivable from subsidiaries in respect of management services supplied during the period once the risks and rewards of the supply have been transferred.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Employee benefits*

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### *IFRS 16 – Leases*

##### *Right-of-use assets*

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

##### *Lease liabilities*

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

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

## Notes (continued)

### 1 Accounting policies (continued)

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

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

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

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

#### *Adopted IFRS not yet applied*

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

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

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

### 2 Revenue, business and geographical segments

The Company has a single class of business which is the provision of management services to its subsidiary companies who are involved in the exploration of oil and gas in the UK. All revenue is management charges to subsidiaries.

## Notes (continued)

### 3 Staff numbers and costs

The average number of persons (including executive directors) employed by the Company during the year/period was:

	<i>Number of employees</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>
Management and operational support	<u>6</u>	<u>11</u>

The aggregate payroll costs of these persons were as follows:

	<i>Year ended</i>	<i>Six month period</i>
	<i>30 June 2021</i>	<i>ended</i>
	<i>£000</i>	<i>30 June 2020</i>
		<i>£000</i>
<i>Wages and salaries</i>	<i>405</i>	<i>580</i>
<i>Social security costs</i>	<i>58</i>	<i>63</i>
<i>Contributions to defined contribution plans</i>	<i>16</i>	<i>35</i>
	<u><i>479</i></u>	<u><i>678</i></u>

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

## Notes (continued)

### 4 Directors' remuneration

	Year ended 30 June 2021 £000	Six month period ended 30 June 2020 £000
<i>Directors' emoluments</i>	232	209

During the year ended 30 June 2021 the aggregate emoluments of the highest paid director were £232,000 (six month period ended 30 June 2020: £209,000).

Company contributions made to directors' money purchase pension plans total £nil (2020: none). No retirement benefits are accruing under defined benefit pension schemes.

### 5 Operating loss

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

	Year ended 30 June 2021 £000	Six month period ended 30 June 2020 £000
<i>Amounts receivable by Ernst &amp; Young LLP:</i>		
<i>Audit of the financial statements of the Company – Cuadrilla Resources Limited</i>	5	5
<i>Audit of the financial statements of fellow Cuadrilla group companies</i>	45	65
<i>Services for audit of AJ Lucas Group Limited</i>	-	15
<i>Reduction in expected credit loss provision for receivables due from related parties</i>	(10)	-
<i>Impairment of other loans receivable</i>	-	710
<i>Amortisation of intangible assets</i>	-	75
<i>Foreign exchange losses/(gains)</i>	27	(22)

### 6 Finance income and expenses

	Year ended 30 June 2021 £000	Six month period ended 30 June 2020 £000
<i>Finance income</i>		
<i>Interest received on cash balances</i>	1	1

	Year ended 30 June 2021 £000	Six month period ended 30 June 2020 £000
<i>Finance expenses</i>		
<i>Finance charge on lease liability for assets-in-use</i>	-	3
<i>Interest payable on bank loan</i>	1	-
<i>Other interest payable</i>	3	-
	4	3

## Notes (continued)

### 7 Taxation

#### Recognised in the income statement

	<i>Year ended 30 June 2021 £000</i>	<i>Six month period ended 30 June 2020 £000</i>
<i>Current tax income</i>	310	250
<i>Deferred tax expense</i>	-	-
	<hr/>	<hr/>
<i>Total tax income</i>	310	250
	<hr/> <hr/>	<hr/> <hr/>

#### Reconciliation of effective tax rate

	<i>Year ended 30 June 2021 £000</i>	<i>Six month period ended 30 June 2020 £000</i>
<i>Loss before tax for the year/period</i>	(195)	(1,085)
	<hr/>	<hr/>
<i>Tax using the UK corporation tax rate of 19%</i>	37	206
<i>Non-taxable income/(expenses)</i>	1	(135)
<i>Current year losses for which no deferred tax asset is recognised</i>	272	181
	<hr/>	<hr/>
<i>Total tax income</i>	310	250
	<hr/> <hr/>	<hr/> <hr/>

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

The Company has estimated accumulated tax losses of £574,000 (2020: £372,000) which are available for offset against future taxable income. A deferred tax asset has not been recognised as it is uncertain when the Company will be able to utilise the losses. The Company also has an unrecognised deferred tax asset in respect of property, plant and equipment of £106,000 (2020: £106,000).

## Notes (continued)

### 8 Property, plant and equipment

	<i>Office equipment £000</i>
<b>Cost</b>	
<i>At 1 January 2020</i>	43
<i>Disposals</i>	(23)
	<hr/>
<i>Balance at 30 June 2020</i>	20
	<hr/>
<i>At 1 July 2020</i>	20
<i>Disposals</i>	(20)
	<hr/>
<i>Balance at 30 June 2021</i>	-
	<hr/>
<b>Depreciation</b>	
<i>At 1 January 2020</i>	(43)
<i>Disposals</i>	23
	<hr/>
<i>Balance at 30 June 2020</i>	(20)
	<hr/>
<i>At 1 July 2020</i>	(20)
<i>Disposals</i>	20
	<hr/>
<i>Balance at 30 June 2021</i>	-
	<hr/>
<b>Net book value</b>	
<i>At 30 June 2020</i>	-
	<hr/>
<i>At 30 June 2021</i>	-
	<hr/>

## Notes (continued)

### 9 Intangible assets

	<b>Software £000</b>
<b>Cost</b>	
<i>At 1 January 2020</i>	322
<i>Disposals</i>	(86)
	<hr/>
<i>Balance at 30 June 2020</i>	236
	<hr/> <hr/>
<i>At 1 July 2020</i>	236
<i>Disposals</i>	(84)
	<hr/>
<i>Balance at 30 June 2021</i>	152
	<hr/> <hr/>
<b>Amortisation</b>	
<i>At 1 January 2020</i>	(247)
<i>Disposals</i>	86
<i>Amortisation charge for the period</i>	(75)
	<hr/>
<i>Balance at 30 June 2020</i>	(236)
	<hr/> <hr/>
<i>At 1 July 2020</i>	(236)
<i>Disposals</i>	84
	<hr/>
<i>Balance at 30 June 2021</i>	(152)
	<hr/> <hr/>
<b>Net book value</b>	
<i>At 30 June 2020</i>	-
	<hr/> <hr/>
<i>At 30 June 2021</i>	-
	<hr/> <hr/>

## Notes (continued)

### 10 Right-of-use assets and lease liabilities

The Company adopts IFRS16 – Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for periods commencing after 1 January 2019.

In the previous accounting period, the Company leased property and office equipment. Lease terms were negotiated on an individual basis and contained a range of terms and conditions. These leases were recognised as a right-of use asset and a corresponding liability at the date at which the leased asset was available for use by the Company. The lease arrangements ended in the previous period and there were no right-of-use assets or lease liabilities recognised on the balance sheet at 30 June 2021 or 30 June 2020.

The income statement includes the following amounts relating to leases:

	<i>30 June 2021</i> <i>£000</i>	<i>30 June 2020</i> <i>£000</i>
<i>Depreciation charge of right-of-use assets</i>		
<i>Property</i>	-	45
<i>Other equipment</i>	-	24
	<u>-</u>	<u>69</u>
	<u>-</u>	<u>69</u>
<i>Interest expense (included in finance cost)</i>	-	3
	<u>-</u>	<u>3</u>

During the year ended 30 June 2021, the Company had a total cash outflow of £nil on qualifying leases (*period ended 30 June 2020: £70,000*).



## Notes (continued)

### 11 Investments in subsidiaries

<i>Cost and net book value</i>	<i>Shares in subsidiary undertakings</i>
<i>At 1 July 2020 and 30 June 2021</i>	<i>£000</i>
	<i>1</i>

All of the Company's subsidiaries at 30 June 2021 have a registered office address at 3000 Aviator Way, Wythenshawe, Manchester M22 5TG. The details of the subsidiaries are as follows:

	<i>Country of Incorporation</i>	<i>Nature of business</i>	<i>Class of shares held</i>	<i>Ownership</i>
<i>Cuadrilla Bowland Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Elswick Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Balcombe Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Weald Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Elswick (No.2) Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla North Cleveland Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla South Cleveland Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Gainsborough Limited</i>	<i>UK</i>	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Well Services Limited</i>	<i>UK</i>	<i>Services for oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cuadrilla Services Limited</i>	<i>UK</i>	<i>Not trading</i>	<i>Ordinary</i>	<i>100%</i>

### 12 Trade and other receivables

	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>£000</i>	<i>£000</i>
<i>Current</i>		
<i>Trade receivables due from related parties (note 17)</i>	<i>62,828</i>	<i>64,208</i>
<i>Other receivables</i>	<i>257</i>	<i>528</i>
	<i>63,085</i>	<i>64,736</i>

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

## Notes (continued)

### 13 Trade and other payables

	30 June 2021 £000	30 June 2020 £000
<b>Current</b>		
Trade payables	101	126
Amounts due to immediate parent company (note 17)	109,862	109,881
Amounts due to related parties – AJ Lucas Group (note 17)	66	117
Social security and other taxes	15	253
Accrued expenses	97	402
	<u>110,141</u>	<u>110,779</u>

Amounts due to the immediate parent company relate to the settlement of liabilities on behalf of the Company. The amounts bear no interest and are repayable on demand. See Note 1 relating to the parent company's ongoing financial support.

### 14 Interest bearing loans and borrowings

	30 June 2021 £000	30 June 2020 £000
<b>Bank loans</b>		
Current (less than one year)	9	-
Non-current	40	50
	<u>49</u>	<u>50</u>

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

The above loan has been obtained as part of the Bounce Back Loan Scheme (BBLs) which was created by the government to support small and medium sized businesses through the Covid-19 pandemic. A business interruption payment covering the first 12 months interest has been covered by the government. There are no unfulfilled conditions or other contingencies attached to these grants.



## Notes (continued)

### 16 Financial instruments

#### 16(a) Fair value of financial instruments

*Trade and other receivables* - The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

*Trade and other payables* - The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

*Fair values* – the fair values of financial assets and liabilities are considered to be the same as the carrying amounts.

#### 16(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

As at 30 June 2021, all trade receivables are due from fellow group companies. The Company applies the expected credit loss approach to establish an allowance for impairment that represents its estimate of expected credit loss in respect of trade and other receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure expected credit losses trade receivables have been grouped based on shared credit characteristics. The loss allowance for the current and prior year has been based on the credit risk of AJL and adjusted upwards where required.

#### 16(c) Liquidity risk

##### *Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's most significant creditor is an intercompany balance with its parent company, which although it is repayable on demand, the parent company has indicated that for 12 months from the date of approval of these financial statements, it will not seek repayment of the amounts currently made available.

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

The Company obtained a HSBC bank loan of £50,000 as part of the Bounce Back Loan Scheme (BBLs) which was created by the government to support small and medium sized businesses through the Covid-19 pandemic. The loan is unsecured and is repayable in scheduled equal monthly instalments from June 2021 to May 2026. It carries a fixed interest rate of 2.5% p.a. A business interruption payment covering the first 12 months interest has been covered by the government.

#### 16(d) Market risk

##### *Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Exposure to interest rate risks arise in the normal course of the Company's business. The Company's exposure to foreign currency risk is not considered significant.

#### 16(e) Capital management

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

## Notes (continued)

### 17 Related parties

#### Key management personnel

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

#### Management fees

During the year ended 30 June 2021, the Company has recognised income of £361,000 in respect of management fees (period ended 30 June 2020: £862,000). Management fees are charges for operational and administrative services provided by the Company to subsidiary companies. The management fees are agreed by both parties and are recorded at a value equivalent to the cost to the Company.

#### Other related party transactions

	<i>Receivables outstanding</i>		<i>Payables outstanding</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Immediate parent company</i>	-	-	109,862	109,881
<i>Subsidiaries</i>	62,786	64,208	-	-
<i>AJ Lucas Group Limited (see note 18)</i>	42	-	66	117
	<u>62,828</u>	<u>64,208</u>	<u>109,963</u>	<u>109,998</u>

All intercompany accounts are current.

### 18 Post balance sheet event

In April 2022 in response to growing calls from MPs, business leaders and the media, the Secretary of State at BEIS (SoS) wrote to the British Geological Survey (BGS) initiating a review of the “*geological science of shale gas fracturing and the modelling of seismic activity in shale rocks in the UK*.” The BGS has been asked to complete its review and report to the SoS by the end of June 2022. Cuadrilla has provided written input to the review and offered its full co-operation to the BGS.

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

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

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

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