Registration number: 02592745

Centrica Business Solutions (Generation) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Centrica Business Solutions (Generation) Limited

Contents

Centrica Business Solutions (Generation) Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for Centrica Business Solutions (Generation) Limited (the 'Company') for the year ended 31 December 2022.

Principal activity
The principal activity of the Company is the supply of electricity and heat generated from combined heat and power ('CHP') units.

Company strategy
The Company's strategy is to:
- Provide the highest standard of service to our customers and constantly exceed their expectations;
- Create a working environment where excellence, commitment and achievement are recognised and rewarded;
- Promote a quality-focused culture and aim to become the partner of first choice; and
- Build successful long-term income streams through successful long-term relationships with customers, suppliers and influencers.

This strategy will be achieved by working with our existing stakeholders to develop new business opportunities, and by continuing to support the expansion of on-site generation technologies, including Cogen, in attractive UK and Ireland (UK&I) markets through the operations of the Centrica plc group ('the Group') and through our network of partners.

Review of the business
The financial position of the Company is presented in the Statement of Financial Position on page 11. Total equity as at 31 December 2022 was £26,423,000 (2021: £24,684,000).The Company's revenue increased by 7% to £7,255,000 (2021: £6,750,000) compared to the previous year, indicating a recovery of generation volumes following the impact of the COVID-19 pandemic, with profit before income tax of £1,628,000 (2021: £1,743,000).

All areas of the Company's current activity are in sectors offering good potential for future growth - supported by policies for sustainable energy and energy efficiency. We expect to make steady progress in our selected markets as we invest in new equipment and projects.

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 28-33 of the Group's Annual Report and Accounts 2022, which does not form part of this report.

Ukraine conflict
The Company is a subsidiary of the Centrica group, and as such is impacted by the energy crisis and Ukraine conflict. The energy markets remain very volatile, but the Centrica group continues to maintain a hedging strategy aligned to the price cap to minimise the exposure to market prices. The Company does not own any businesses or operate in Russia or Ukraine and so has no direct impacts from those two countries. Furthermore, the Company has no investments in Russian entities or bonds. The Company is not expecting any direct material impacts but will keep monitoring the position.

Key performance indicators ('KPIs')

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 26-27 of the Group's Annual Report and Accounts 2022, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

Carbon emissions and energy usage

Carbon emissions and energy usage are not disclosed at a Company level due to exemptions detailed in Para 20A of Schedule 7 of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Carbon emissions and energy usage reporting for the Group is included in the 'People and Planet' section on pages 42-44 of Centrica plc's Annual Report and Accounts 2022. Specific metrics and targets are disclosed in the 'Task Force on Climate-related Financial Disclosures' section on pages 51 to 53 of the Group's Annual Report and Accounts 2022.

Future developments

The Company continues to be well placed to accelerate the growth in the distributed energy and power market sectors in the UK and Ireland, leveraging the resources and opportunities that are available as part of a larger group.

Approved by the Board on 26/09/2023 and signed on its behalf by:

....

By order of the Board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 02592745

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

Centrica Business Solutions (Generation) Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors of the Company
The Directors of the Company, who were in office during the year and up to the date of signing the financial statements were as follows:

M Dennis

D R Pethybridge

G C McKenna

J Jacober

A Z Longmuir (resigned 26 June 2023)

P S Lawton (resigned 1 May 2022)

Results and dividends
The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2022 is £1,739,000 (2021: £1,951,000).

The Company did not pay an interim dividend during the year (2021: £nil) and the Directors do not recommend the payment of a final dividend (2021: £nil).

Financial risk management policy
The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk
Exposure to price risk, counterparty credit risk, liquidity risk and cash flow risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with Group undertakings. Credit risk is managed through the Group continually reviewing its rating thresholds for relevant counterparty credit limits and updating these as necessary, based on a consistent set of principles. Price risks are managed through using a range of derivatives to hedge any exposures arising.

Future developments
Future developments are discussed in the Strategic Report on page 2.

Going concern
The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

The Directors have updated their Group going concern assessment as at 30 June 2023. The going concern assessment has included stress-testing cash forecasts for different scenarios including reasonably possible increases/ decreases in commodity prices and evaluating risk scenarios for reasonably possible combinations of risks, the largest of which is the increased margin outflows in the trading and upstream businesses. Risks considered also include the impact of significant adverse weather events, increased bad debt charges due to the cost of living crisis, the risk of financial loss due to counterparty default and production falls in the Group's upstream business. The Group has established enhanced processes in the trading business and in respect of upstream to plan for and manage possible increases in margin cash requirements. The Group' undrawn committed facilities as at 30 June 2023 were £3.8 billion in addition to Group unrestricted cash and cash equivalents of £5.9 billion. The level of undrawn committed bank facilities and available cash resources has enabled the Directors to conclude that there are no material uncertainties relating to going concern. As a result, the Group continues to adopt the going concern basis of accounting in preparing the financial statements.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

Non-adjusting events after the financial period
On 31 May 2023 ENER-G Cogen International Limited acquired 100% of the issued share capital of the Company from ENER-G Power2 Limited.

Directors' and officers' liability
Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board on 26/09/2023 and signed on its behalf by:

....

By order of the Board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 02592745
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

Independent Auditors' Report to the Members of Centrica Business Solutions (Generation) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centrica Business Solutions (Generation) 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 Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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.

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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 documentation of the policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management and directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

Independent Auditors' Report to the Members of Centrica Business Solutions (Generation) Limited (continued)

We obtained an understanding of the legal and regulatory framework 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 the UK Companies Act 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 IT 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 and in-house 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.

Report on other legal and regulatory requirements

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report or 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; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent Auditors' Report to the Members of Centrica Business Solutions (Generation) 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.

D. Winstone

Daryl Winstone (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 26/9/23

Centrica Business Solutions (Generation) Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	7,255	6,750
Cost of sales	6	(4,777)	(5,000)
Gross profit		2,478	1,750
Operating costs	6	(1,189)	(753)
Other income	5	-	45
Operating profit		1,289	1,042
Finance income	8	339	701
Profit before taxation		1,628	1,743
Taxation on profit	10	111	208
Profit for the year from continuing operations		1,739	1,951

The above results were derived from continuing operations.

There were no recognised gains and losses in either period other than those shown above and accordingly no separate Statement of Comprehensive Income has been included in the Financial Statements.

Centrica Business Solutions (Generation) Limited

Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000	(As restated) 2021 £ 000
Non-current assets			
Property, plant and equipment	11	9,824	10,912
Trade and other receivables	12	5,319	1,291
		15,143	12,203
Current assets			
Trade and other receivables	12	18,649	17,402
Current tax assets	10	-	1
		18,649	17,403
Total assets		33,792	29,606
Current liabilities			
Trade and other payables	13	(5,386)	(2,865)
Net current assets		13,263	14,538
Total assets less current liabilities		28,406	26,741
Non-current liabilities			
Deferred tax liabilities	10	(1,337)	(1,448)
Trade and other payables	13	(55)	-
Provisions for other liabilities and charges	14	(591)	(609)
		(1,983)	(2,057)
Total liabilities		(7,369)	(4,922)
Net assets		26,423	24,684
Equity			
Share capital	15	200	200
Share premium		10,000	10,000
Retained earnings		16,223	14,484
Total equity		26,423	24,684

The restatement in 2021 relates to plant and machinery acquired from another Group company, as well as disposals of plant and machinery. These adjustments had no material impact on the net profit of the company in 2021.

Statement of Financial Position as at 31 December 2022 (continued)

The financial statements on pages 10 to 29 were approved and authorised for issue by the Board of Directors on

.......26/09/2023.............. and signed on its behalf by:

....
M Dennis
Director

Company number 02592745

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2022	200	10,000	14,484	24,684
Profit for the year	-	-	1,739	1,739
Total comprehensive income	-	-	1,739	1,739
At 31 December 2022	200	10,000	16,223	26,423

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021	200	10,000	12,533	22,733
Profit for the year	-	-	1,951	1,951
Total comprehensive income	-	-	1,951	1,951
At 31 December 2021	200	10,000	14,484	24,684

The notes on pages 14 to 29 form an integral part of these financial statements.

1 General information

Centrica Business Solutions (Generation) Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

The address of its registered office and principal place of business is:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

2 Accounting policies

Basis of preparation
The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company financial statements are presented in pounds sterling which is the functional currency of the Company.

Changes in accounting policy
From 1 January 2022, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', costs of fulfilling a contract;
- Amendments to IAS 16: 'Property, Plant and Equipment', sale proceeds before intended use; and
- Annual improvements to IFRS 2018-2020.

None of these changes or amendments had any material impact on the Company's financial statements.

Summary of disclosure exemptions
In these financial statements, as a qualifying entity the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;

2 Accounting policies (continued)

- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

As the consolidated financial statements of the Centrica plc group (the 'Group'), which are available from its registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided.

Measurement convention
The financial statements have been prepared on the historical cost basis.

Going concern
The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

The Directors have updated their Group going concern assessment as at 30 June 2023. The going concern assessment has included stress-testing cash forecasts for different scenarios including reasonably possible increases/ decreases in commodity prices and evaluating risk scenarios for reasonably possible combinations of risks, the largest of which is the increased margin outflows in the trading and upstream businesses. Risks considered also include the impact of significant adverse weather events, increased bad debt charges due to the cost of living crisis, the risk of financial loss due to counterparty default and production falls in the Group's upstream business. The Group has established enhanced processes in the trading business and in respect of upstream to plan for and manage possible increases in margin cash requirements. The Group undrawn committed facilities as at 30 June 2023 were £3.8 billion in addition to Group unrestricted cash and cash equivalents of £5.9 billion. The level of undrawn committed bank facilities and available cash resources has enabled the Directors to conclude that there are no material uncertainties relating to going concern. As a result, the Group continues to adopt the going concern basis of accounting in preparing the financial statements.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

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.

2 Accounting policies (continued)

Revenue recognition
The Company supplies electricity and heat and ongoing operations and maintenance services to business customers in the UK and Ireland principally under distinct Discounted Energy Purchase contracts and Infrastructure contracts.

The Company's Discounted Energy Purchase ('DEP') contracts contain clauses that grant the Company the right to substitute assets used in performing the contracts, where this allows for the contract to be operated more efficiently. The Company makes use of such options from time to time, and accordingly, the Directors have judged that these contracts do not grant to the customer a right to use a specified asset. Therefore, DEP contracts are not accounted for as leases under IFRS 16: Leases.

The Company's Infrastructure contracts contain similar substitution rights for the Company. However, as at the date of these Financial Statements, the Company does not have an established practice of exercising such rights in these contracts. Accordingly, the contracts are judged to grant to the customer a right to use a specified asset. In light of the length of the typical arrangements, payments under the contract and provisions allowing for a transfer of the residual value of the asset at the end of the contract, the Directors have judged that Infrastructure contracts transfer the risks and rewards of ownership of the underlying assets to the customer and therefore, these contracts are accounted for as leases under IFRS 16. If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

At contract commencement, the Company may sell its rights to an element of the future income stream under certain Infrastructure contracts to a third party, in return for a fixed upfront payment. The funder has no right of recourse to the Company for the sums received. Accordingly, the transaction results in the de-recognition of an appropriate element of the finance lease receivable recognised at commencement of the contract.

- Construction contract revenue
The Company's Infrastructure contracts require the construction, installation and commissioning of energy efficiency equipment. The Company sub-contracts these activities to another group company and the Directors have judged that the Company does not control the equipment before it is transferred to the customer. Accordingly, the Company is not the principal in this transaction and revenue is recognised on a net basis.

- Supply of electricity and heat
The performance obligation is the supply of energy over the contractual term; the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer consumes based on the units of energy delivered. This is the point at which revenue is recognised. The price is contractually agreed per unit of output.

- Operational and maintenance service revenue
This comprises monitoring and ongoing maintenance services delivered through DEP and Infrastructure contracts. For monitoring services, the performance obligation is considered to be satisfied as the customer consumes based on the units of energy delivered. The price is contractually agreed per unit of output. For maintenance services, the performance obligation is satisfied at the point at which the maintenance is carried out. The price is contractually agreed with the customer.

2 Accounting policies (continued)

Finance income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Finance costs
Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Where a specific financing arrangement is in place, the specific borrowing rate for that arrangement is applied. For non-specific financing arrangements, a borrowing rate representative of the weighted average borrowing rate is used. Financing costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed.

Leases

Definition of a lease
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:
• the contract involves the use of an identified asset;
• the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
• the Company has the right to direct the use of the asset.

As a lessor
When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises the lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

2 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the Company at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the reporting date, and associated gains and losses are recognised in the Income Statement for the year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

Changes in the fair value of foreign currency denominated monetary securities classified as 'fair value through profit and loss' are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

2 Accounting policies (continued)

Property, plant and equipment ('PP&E')

PP&E is included in the Statement of Financial Position at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent expenditure in respect of items of PP&E, such as the replacement of major parts, major inspections or overhauls, are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

PP&E, with the exception of upstream production assets (for which the 'unit of production method' is used), are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives.

Depreciation of PP&E

The depreciation periods for the principal categories of assets are as follows:

Asset class	**Depreciation method and rate**
Plant and machinery	Straight line, over life of operating contract

The carrying values of PP&E are tested annually for impairment and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and if necessary changes are accounted for prospectively.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Income Statement within interest expense.

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

2 Accounting policies (continued)

Impairment
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ('CGU') is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

The Company provides for impairments of financial assets when there is objective evidence of impairment as a result of events that impact the estimated future cash flows of the financial assets.

Financial assets and liabilities
Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

- Trade and other receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for expected credit losses.

- Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discount is often immaterial). If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

- 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. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2 Accounting policies (continued)

- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

- Loans and other borrowings

All interest-bearing and interest-free loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost using the effective interest method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are 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 most significant effect on the amounts recognised in the financial statements.

- Balance Sheet treatment of plant and machinery to fulfil electricity and heat contracts

The accounting treatment of the assets used to provide the services under the DEP contracts is assessed against IFRS 16: Leases. Judgement is exercised in determining the extent to which the equipment will be used for its economic life on the customer site or if the equipment can be substituted and the service performed through other means by reference to a review of the contract and the technology used to fulfil the contract obligations. Refer to note 11.

- Infrastructure contracts

The Company enters into certain long-term contracts, under which the customer procures energy services over a period of up to 17 years, payable on a monthly or quarterly basis. The energy services are provided using combined heat and power equipment and other energy infrastructure, typically with a right for the Company to substitute assets. As no established practice of substituting assets has yet been established, the contracts are judged to grant the customer a right to use a specified asset and as such are accounted for as containing a lease.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Decommissioning provision

Uncertainty exists in quantifying the financial obligations under the contracts to decommission the equipment installed on customer sites at the end of their contractual life and creates a sensitivity in determining the carrying value of the provision. The provision is calculated based on the actual costs incurred when removing and decommissioning equipment from site and applying this to the equipment remaining on customer premises, together with assessing the expected future costs that could be incurred due to changes in legislation.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Supply of electricity and heat generated	7,255	6,750

The Company's revenue relates to activities entirely undertaken in UK and Ireland.

5 Other operating income

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

	2022 £ 000	2021 £ 000
Profit on disposal of fixed assets	-	45

6 Analysis of costs by nature

	2022 Cost of sales £ 000	2022 Operating costs £ 000	2022 Total costs £ 000	2021 Cost of sales £ 000	2021 Operating costs £ 000	2021 Total costs £ 000
Material and subcontractor costs	(3,172)	-	(3,172)	(3,404)	-	(3,404)
Depreciation	(1,605)	-	(1,605)	(1,596)	-	(1,596)
Impairment and write-downs	-	(287)	(287)	-	-	-
Recharges	-	(865)	(865)	-	(752)	(752)
Loss on disposal	-	(34)	(34)	-	-	-
Other operating costs	-	(3)	(3)	-	(1)	(1)
Total costs by nature	(4,777)	(1,189)	(5,966)	(5,000)	(753)	(5,753)

7 Employee costs

The Company had no employees during the year (2021: nil).

The Directors were remunerated as employees of the Centrica plc Group and did not receive any remuneration, from any source, specifically for their services as Directors of the Company during the current or preceding financial year.

8 Net finance income

Finance income

	2022 £ 000	2021 £ 000
Interest income from amounts owed by Group undertakings	244	599
Interest income on assets under lease	95	102
Total finance income	339	701

	2022 £ 000	2021 £ 000
Net finance income	339	701

9 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Financial Statements provided to the Company.

	2022 £ 000	2021 £ 000
Audit fees	(11)	(10)

Auditors' remuneration relates to fees for the audit of the financial statements of the Company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group Financial accounts of its ultimate parent, Centrica plc.

10 Income tax

Tax charged in the Income Statement

	2022 £ 000	2021 £ 000
Current taxation		
Total current income tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	192	127
Changes in tax rates	61	(347)
Adjustment in respect of prior period	(142)	428
Total deferred taxation	111	208

The main rate of corporation tax for the year to 31 December 2022 was 19% (2021: 19%). The rate of corporation tax has increased to 25% with effect from 1 April 2023. As at 31 December 2022 the deferred tax balances included in these Financial Statements are based on the enacted rate of corporation tax having regard to their reversal profiles.

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax to the profit before tax are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	1,628	1,743
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	(309)	(331)
Decrease in tax from adjustment for prior periods	(142)	428
Increase from effect of expenses not deductible in determining taxable profit	(1)	(1)
Decrease arising from group relief tax reconciliation	502	459
Deferred tax expense relating to changes in tax rates or laws	61	(347)
Total tax credit	111	208

10 Income tax (continued)

Deferred tax

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

	Accelerated tax depreciation £000	Temporary difference trading £000	Other items £000	Total £ 000
1 January 2022	(1,586)	152	(14)	(1,448)
Credit to the Income Statement	257	(4)	-	253
Prior period adjustments	(142)	-	-	(142)
31 December 2022	(1,471)	148	(14)	(1,337)

	Accelerated tax depreciation £000	Temporary difference trading £000	Other items £000	Total £ 000
1 January 2021	(1,756)	111	(10)	(1,655)
Charged to the Income Statement	(258)	41	(4)	(221)
Prior period adjustments	428	-	-	428
31 December 2021	(1,586)	152	(14)	(1,448)

There is no unrecognised deferred tax in 2022 or 2021. The deferred tax liability of £1,337,000 (2021: 1,448,000) is shown as a non-current liability in the Statement of Financial Position. Of this balance, £nil (2021: £nil) is expected to be payable within 12 months.

11 Property, plant and equipment

	Plant and equipment, fixtures and fittings £ 000	Total £ 000
Cost		
At 1 January 2022	28,679	28,679
Additions	838	838
Disposals and surrenders	(1,133)	(1,133)
At 31 December 2022	28,384	28,384
Accumulated depreciation and impairment		
At 1 January 2022	(17,767)	(17,767)
Charge for the year	(1,605)	(1,605)
Disposals and surrenders	1,099	1,099
Impairment	(287)	(287)
At 31 December 2022	(18,560)	(18,560)
Net book value		
At 31 December 2022	9,824	9,824
At 31 December 2021	10,912	10,912

The opening balance of plant and equipment, fixtures and fittings was restated to account for certain plant and machinery acquired from another Group company, as well as disposals of plant and machinery. The acquisitions increased the cost at 1 January 2022 by £566,000, and the disposals decreased both cost and accumulated depreciation at 1 January 2022 by £363,000, increasing the net book value at 1 January 2022 by a total of £566,000. These adjustments had no material impact on the net profit of the company in 2021.

12 Trade and other receivables

	2022		2021	
	Current £ 000	Non-current £ 000	Current £ 000	Non-current £ 000
Trade receivables	843	-	943	-
Provision for impairment of trade receivables	(72)	-	-	-
Net trade receivables	771	-	943	-
Amounts owed by Group undertakings	17,112	-	15,647	-
Finance lease receivables	105	5,319	115	1,291
Accrued income	661	-	676	-
Other receivables	-	-	21	-
	18,649	5,319	17,402	1,291

The amounts owed by Group undertakings have been presented on a net basis as there is a legal right of offset against certain amounts, and the intent is to settle amounts on a net basis. Included within the net amounts owed by Group undertakings disclosed above is £17,112,000 (2021: £15,647,000) receivable from Centrica plc, which consists of a gross receivable of £17,257,000 (2021: £16,165,000) and a gross payable of £145,000 (2021: £518,000). The gross receivable bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 0.35% and 2.72% per annum during 2022 (2021: 3.61% and 4.23%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

13 Trade and other payables

	2022		2021 (As restated)
	Current £ 000	Non-current £ 000	Current £ 000
Accrued expenses	(11)	-	(11)
Amounts owed to Group undertakings	(4,898)	-	(2,644)
Social security and other taxes	(290)	-	(146)
Other payables	(187)	(55)	(64)
	(5,386)	(55)	(2,865)

Amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

The restatement in 2021 relates to plant and machinery acquired from another Group company.

14 Provisions for other liabilities and charges

	Decommissioning £ 000
At 1 January 2022	(609)
Charged to the Income Statement	18
At 31 December 2022	(591)
Non-current liabilities	(591)

Other provisions are comprised solely of decommissioning costs of CHP units in accordance with the accounting policies. Decommissioning costs are expected to be utilised at the end of the contract life, which is typically up to 15 years.

15 Capital and reserves

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	200,001	200,001	200,001	200,001

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Share premium
Consideration transferred in excess of the nominal value of ordinary shares is allocated to share premium.

Retained earnings
The balance classified as retained earnings includes the profits and losses realised by the Company in previous periods that were not distributed to the shareholders of the Company at the reporting date.

Rights, preferences and restrictions
Ordinary shares have the following rights, preferences and restrictions:
Each ordinary share carries one vote, ranks equally with any other ordinary shares as to rights to participate in distribution of dividends and capital (including on winding up) and in all other aspects.

16 Commitments and contingencies

Capital commitments

The total amount contracted for but not provided in the financial statements in relation to the acquisition of property, plant and equipment was £12,687,000 (2021: £7,240,000).

17 Parent and ultimate parent undertaking

At the balance sheet date the immediate parent undertaking was ENER-G Power2 Limited, a company registered in England and Wales. On 31 May 2023 ENER-G Cogen International Limited acquired 100% of the issued share capital of the Company from ENER-G Power2 Limited.

The ultimate parent undertaking is Centrica plc, incorporated in the UK, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.

The registered address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD, United Kingdom.