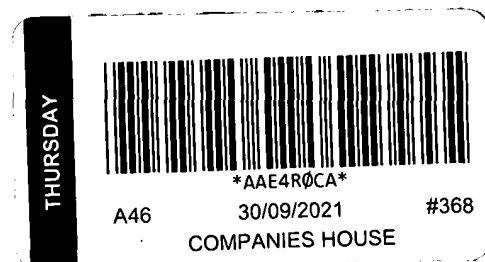


Registration number: 03275445

Centrica Business Solutions Management Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



Centrica Business Solutions Management Limited

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Centrica Business Solutions Management Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present their Strategic Report for Centrica Business Solutions Management Limited (the 'Company') for the year ended 31 December 2020.

Principal activity

The principal activities of the Company during the year were the holding of investments in subsidiary companies and to develop new business opportunities.

Company strategy

The Company's strategy is to act as a holding company to its subsidiaries and to develop new business opportunities by expanding cogeneration and other energy saving technologies. Consistent with this strategy, the directors accept that it is appropriate for the Company to bear related costs. These costs will include, inter alia:

- The development and promotion of the wider division's solutions businesses;
- Initial consideration of new concepts and technologies;
- Policy and standard setting for itself and its subsidiaries;
- Promoting knowledge and awareness of capabilities and technologies; and
- Managing risks and reputation.

The benefits from these activities will be to enhance the value of, and returns from, its subsidiaries.

Section 172(1) Statement

In promoting the success of the Company, the Directors must also consider the interests of stakeholders and the other matters required by section 172(1) (a) to (f) of the Companies Act 2006. This Section 172 Statement describes how the Directors have taken into account wider stakeholders in their decision making and also the principal decisions taken during the year. Whilst the Company is an independent subsidiary of Centrica plc, the Company activity supports the wider strategy of the Centrica Group. Where appropriate, for example in matters of long-term strategy, decision making is aligned with that of the parent company Board, ensuring that stakeholders of the Company have been rigorously considered.

- General confirmation of Directors' duties

Directors are fully aware of and understand their statutory duties under the Act. The Board has a clear framework for determining the matters within its remit. Day-to-day authority is delegated to executives and the Directors engage with management in setting, approving and overseeing execution of the business strategy and related policies. The executives consider the Company's activities, such as review financial performance, business strategy, key risks, and stakeholder-related matters, and make decisions. Section 172(1) of the Act provides that each Director must ensure that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to section 172(1) (a) to (f) as described below.

(a) The likely consequences of any decision in the long term: The Directors understand the Company's business and the evolving environment in which it operates, including the challenges of a highly competitive marketplace, regulatory intervention and climate change. The Directors recognise how our operations are viewed by different stakeholders and that some decisions they take may not align all stakeholder interests. The Directors took decisions during 2020 that they believed would best promote Centrica's long-term success for the benefit of its stakeholders as a whole. For instance, following consideration, the Directors approved capital injections during 2020 of €21.5m into its subsidiary Centrica Business Solutions Belgium NV and around £700k into Centrica Business Solutions Mexico S.A.

Centrica Business Solutions Management Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

(b) The interests of the company's employees: Although the Directors recognise that employees within the Group are fundamental to the future growth and success of Centrica, the company has no direct employees and therefore the consideration of the interests of the Company's employees has not applied to the decisions made by the Directors.

(c) The need to foster the company's business relationships with suppliers, customers and others: The Directors recognise the benefits of engaging with a broad range of stakeholders and developing and delivering our strategy depends on building and maintaining constructive relationships across them all. As the principal activity of the Company is to act as a holding company, its stakeholders during the period include Centrica Group companies and as such the breadth of stakeholder considerations that would often apply in market facing, operating or commercial trading companies have generally not applied to the decisions made by the Directors.

(d) The impact of the company's operations on the community and the environment: The Directors appreciate that collaboration with charities and community groups helps to create stronger communities and provide insights that enable the Board to understand the Company's impact on the community and environment, and the consequences of its decisions in the long term. Further information about how the Centrica Group engages with communities and NGOs can be found on page 24 of the Group's Annual Report and Accounts 2020.

(e) The desirability of the company maintaining a reputation for high standards of business conduct: The Board adheres to Centrica Group's "Our Code" code of conduct which all Centrica Group employees are subject to setting out the high standards and behaviours we expect from those that work for us or with us.

(f) The need to act fairly as between members of the company: After weighing up all relevant factors, the Directors consider which course of action best promotes the long-term success of the Company, taking into consideration the impact on stakeholders. In doing so, the Directors act fairly as between the Company's members. However, the Directors are not required to balance the Company's interests with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

- Culture

The Company's culture is set by the Group and embedded in all we do. Further information on our culture can be found on page 25 of the Group's Annual Report and Accounts 2020.

- Stakeholder engagement

Proactive engagement remains a central focus for the Group, which ensures the Directors have regard to the matters set out in Section 172(1) (a) to (f) of the Act. Further information on stakeholder engagement can be found on pages 22 to 24 of the Group's Annual Report and Accounts 2020. Engaging with stakeholders delivers better outcomes for society, and for the business. It is fundamental to the Company's long-term success.

Review of the business

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

The financial position of the Company is presented in the Statement of Financial Position on page 13. Total equity as at 31 December 2020 was £(14,191,000) (2019: £67,794,000). The loss for the financial year ended 31 December 2020 was £(81,995,000) (2019: profit £1,886,000). The loss for the year is mainly due to exceptional items, which includes an impairment of investments in subsidiaries £73,904,000 (2019: £nil).

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 34-42 of the Group's Annual Report and Accounts 2020, which does not form part of this report.

Centrica Business Solutions Management Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Exit from the European Union

The UK and the European Union agreed a new trade deal which came into effect on the 31 December 2020 at 23:00 GMT. The UK's exit from the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

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 12-13 of the Group's Annual Report and Accounts 2020, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 4.

Future developments

In the future it is expected that the Company will continue to provide management and support services to Centrica.

On 11 June 2020, Centrica announced plans for a significant restructure designed to create a simpler, leaner group focused on improved service delivery for customers. The restructure is on track with a reduction in Group direct headcount by over 3,000 in 2020 and another 1,000 role reductions expected to take place in 2021. The restructure will benefit the longer term value of the business, future operating profits and maintenance of a strong capital position of the Group. The Company would not expect to be materially impacted by the restructure.

Approved by the Board on 29/09/2021... and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 03275445

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

Centrica Business Solutions Management Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

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

J P Pikunic (resigned 8 March 2021)

The following director was appointed after the year end:

G C McKenna (appointed 8 March 2021)

Results and dividends

The results of the Company are set out on page 12. The loss for the financial year ended 31 December 2020 is £81,995,000 (2019: profit £1,886,000).

Dividends of £nil were paid for the year ended 31 December 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2020 (2019: £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 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.

Future developments

Future developments are discussed in the Strategic Report on page 3.

Centrica Business Solutions Management Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

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 Group expects ongoing impacts from COVID-19 in 2021 and 2022, including lower energy demand and incremental bad debt costs as the economy recovers from the pandemic. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.2bn as at 30 June 2021, and c.£3.2bn of undrawn committed facilities, which remain committed until at least 2024. The Group going concern assessment as at 30 June 2021 included various sensitivities including the impacts of a 30% decline in commodity prices, credit rating downgrade and external risks of COVID-19 including lower demand for products, lower energy consumption and higher bad debt costs, as well as mitigating actions to maintain liquidity. After Centrica's interim results announcement in July 2021 neither credit rating agency changed their rating with S&P affirming a BBB (negative) credit rating and Moody's also leaving the Baa2 (negative) rating unchanged.

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.

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.

Events after the reporting period

On 2 March 2021 the Company acquired 100% of the ordinary share capital of Pennings Power Ltd for a total consideration of £1,138,000.

Celtic Array Ltd, of which the Company holds 50% of the ordinary share capital, has been in liquidation since May 2021.

Centrica Business Solutions Management Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

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.

Centrica Business Solutions Management Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

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 29/09/2021 and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 03275445
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

Centrica Business Solutions Management Limited

Independent Auditors' Report to the Members of Centrica Business Solutions Management Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centrica Business Solutions Management Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss 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 18.

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.

Centrica Business Solutions Management Limited

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

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 about their own identification and assessment of the risks of irregularities.

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 regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Centrica Business Solutions Management Limited

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

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 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.

Centrica Business Solutions Management Limited

Independent Auditors' Report to the Members of Centrica Business Solutions Management 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: **29/1/21**

Centrica Business Solutions Management Limited

Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Operating costs	4	(6,505)	(927)
Exceptional items - restructuring costs	6	(40)	-
Exceptional items - impairment	6	<u>(73,904)</u>	<u>-</u>
Operating loss		<u>(80,449)</u>	<u>(927)</u>
Finance income	7	3,167	3,262
Finance costs	7	<u>(4,710)</u>	<u>(423)</u>
Net finance (cost)/income		<u>(1,543)</u>	<u>2,839</u>
(Loss)/profit before taxation		(81,992)	1,912
Taxation on profit	10	<u>(3)</u>	<u>(26)</u>
(Loss)/profit for the year from continuing operations		<u><u>(81,995)</u></u>	<u><u>1,886</u></u>

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 Management Limited

Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Non-current assets			
Property, plant and equipment	11	21	28
Deferred tax assets	10	78	81
Investments	12	45,245	97,094
		<u>45,344</u>	<u>97,203</u>
Current assets			
Trade and other receivables	13	9,272	17
Total assets		<u>54,616</u>	<u>97,220</u>
Current liabilities			
Trade and other payables	14	(68,797)	(29,426)
Net current liabilities		<u>(59,525)</u>	<u>(29,409)</u>
Total assets less current liabilities		(14,181)	67,794
Non-current liabilities			
Provisions for other liabilities and charges	15	(10)	-
		<u>(10)</u>	<u>-</u>
Net (liabilities)/assets		<u>(14,191)</u>	<u>67,794</u>
Equity			
Share capital	16	1	1
Retained earnings		(14,202)	67,793
Share-based payments reserve		10	-
Total equity		<u>(14,191)</u>	<u>67,794</u>

The financial statements on pages 12 to 29 were approved and authorised for issue by the Board of Directors on

29/09/2021 and signed on its behalf by:



M Dennis
Director

Company number 03275445

The notes on pages 15 to 29 form an integral part of these financial statements.

Centrica Business Solutions Management Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share based payments reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	1	-	67,793	67,794
Loss for the year	-	-	(81,995)	(81,995)
Total comprehensive income	-	-	(81,995)	(81,995)
Share incentive plan	-	10	-	10
At 31 December 2020	1	10	(14,202)	(14,191)

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	1	65,907	65,908
Profit for the year	-	1,886	1,886
Total comprehensive income	-	1,886	1,886
At 31 December 2019	1	67,793	67,794

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

Centrica Business Solutions Management Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom 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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 3.

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 International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with 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 2020, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IFRS 3: 'Business combinations';
- Amendments to IAS 1: 'Presentation of financial statements' and IAS 8: 'Accounting policies, changes in accounting estimates and errors' and
- Conceptual Framework for Financial Reporting 2018.

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 and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

- 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 IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;
- disclosures of the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

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 Group expects ongoing impacts from COVID-19 in 2021 and 2022, including lower energy demand and incremental bad debt costs as the economy recovers from the pandemic. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.2bn as at 30 June 2021, and c.£3.2bn of undrawn committed facilities, which remain committed until at least 2024. The Group going concern assessment as at 30 June 2021 included various sensitivities including the impacts of a 30% decline in commodity prices, credit rating downgrade and external risks of COVID-19 including lower demand for products, lower energy consumption and higher bad debt costs, as well as mitigating actions to maintain liquidity. After Centrica's interim results announcement in July 2021 neither credit rating agency changed their rating with S&P affirming a BBB (negative) credit rating and Moody's also leaving the Baa2 (negative) rating unchanged.

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.

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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.

Dividend income

Dividend income is recognised when the right to receive payment is established.

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.

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 available for sale 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 is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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.

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.

Investments in subsidiaries

Fixed asset investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

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 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 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.

- 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.

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

- 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.

Investments in subsidiaries, associates and joint ventures

The Company undertakes an annual review process of its investments in subsidiaries, associates and joint ventures as well as related receivables for indicators of impairment and tests for impairment where such an indicator arises.

The year-end impairment test was a Fair Value Less Costs to Sell calculation, using cash flow projections based on Board-approved business plans for five years, with a terminal value calculated from the fifth year. Cash flows are discounted using a discount rate that reflects the current market assessments of the time value of money and are based on the estimated cost of capital of the investment. Long-term growth rates and post-tax discount rates used in these calculations ranged from 0.8% to 3.0% and 7.5% to 12.0% respectively.

The impairment review process resulted in the recognition of an impairment of these investments. The total amount unrecoverable in respect of investments as at 31 December 2020 is £73,904,000 (2019: £nil). See note 12.

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Analysis of costs by nature

	2020		2019	
	Operating costs	Total costs	Operating costs	Total costs
	£ 000	£ 000	£ 000	£ 000
Employee costs	(1,265)	(1,265)	-	-
Depreciation	(7)	(7)	(6)	(6)
Computing/network costs	(79)	(79)	-	-
Recharges	(3,689)	(3,689)	(654)	(654)
Facilities and property costs	(22)	(22)	(63)	(63)
Recharges - employee costs	(881)	(881)	-	-
Contractor and other staff related costs	(101)	(101)	-	-
Other operating costs	(29)	(29)	(39)	(39)
Contractor, consultancy and other professional services	(271)	(271)	(165)	(165)
Advertising and marketing	(161)	(161)	-	-
	<u>(6,505)</u>	<u>(6,505)</u>	<u>(927)</u>	<u>(927)</u>
Total costs by nature				

5 Employees' costs

The aggregate employee costs (including Directors' remuneration) were as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	(898)	-
Social security costs	(127)	-
Pension and other post-employment benefits	(151)	-
Other employee expense	(89)	-
	<u>(1,265)</u>	<u>-</u>

The average number of persons employed by the company (including Directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Office and management	<u>19</u>	<u>-</u>

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Exceptional items

The following exceptional items were recognised in arriving at operating profit for the reporting year:

	2020 £ 000	2019 £ 000
Exceptional items - restructuring costs	(40)	-
Exceptional items - impairment	(73,904)	-
	<u>(73,944)</u>	<u>-</u>

The restructuring costs relates to employee costs associated with cost reduction programmes.

The impairment charge relates to the Company's investments in subsidiaries.

7 Net finance income/cost

Finance income

	2020 £ 000	2019 £ 000
Interest income from amounts owed by Group undertakings	3,167	3,262
Total finance income	<u>3,167</u>	<u>3,262</u>

Finance cost

	2020 £ 000	2019 £ 000
Interest on amounts owed to Group undertakings	(4,710)	(420)
Net foreign exchange losses on financing transactions	-	(3)
Total finance costs	<u>(4,710)</u>	<u>(423)</u>
Net finance (cost)/income	<u>(1,543)</u>	<u>2,839</u>

8 Directors' remuneration

The Directors were remunerated as employees of Centrica plc Group and did not receive any remuneration, from any source, for their services as Directors of the Company during the current or preceding financial year. Accordingly, no details in respect of their emoluments have therefore been included in these financial statements.

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

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.

	2020 £ 000	2019 £ 000
Audit fees	<u>(21)</u>	<u>(20)</u>

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/(credited) in the Income Statement

	2020 £ 000	2019 £ 000
Deferred taxation		
Origination and reversal of temporary differences	13	17
Changes in tax rates	<u>(10)</u>	<u>9</u>
Total deferred taxation	<u>3</u>	<u>26</u>

The main rate of corporation tax for the year to 31 December 2020 was 19% (2019: 19%). The UK corporation tax rate was scheduled to reduce to 17% from 1 April 2020 but the Government halted the reduction, to maintain the rate at 19%. As a result, the deferred tax position was rebased during the year to 19% accordingly. Subsequent to this, the Budget on 3 March 2021 announced that the rate of corporation tax will increase to 25% from 1 April 2023. When this rate is enacted in the Finance Bill 2021, the impact on the deferred tax balances will be to increase the asset position by £25,000.

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:

	2020 £ 000	2019 £ 000
(Loss)/profit before tax	<u>(81,992)</u>	<u>1,912</u>
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	(15,578)	363
Increase / (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	14,042	-
Increase / (decrease) arising from group relief tax reconciliation	1,623	117
Increase / (decrease) from transfer pricing adjustments	(74)	(463)
Deferred tax expense / (credit) relating to changes in tax rates or laws	<u>(10)</u>	<u>9</u>
Total tax charge	<u>3</u>	<u>26</u>

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

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	Total £ 000
1 January 2020	81	81
Charged/(credited) to the Income Statement	(3)	(3)
31 December 2020	<u>78</u>	<u>78</u>

	Accelerated tax depreciation £000	Total £ 000
1 January 2019	107	107
Charged/(credited) to the Income Statement	(26)	(26)
31 December 2019	<u>81</u>	<u>81</u>

11 Property, plant and equipment

	Plant, equipment and vehicles £ 000	Total £ 000
Cost		
At 1 January 2020	<u>36</u>	<u>36</u>
At 31 December 2020	<u>36</u>	<u>36</u>
Accumulated depreciation and impairment		
At 1 January 2020	(8)	(8)
Charge for the year	(7)	(7)
At 31 December 2020	<u>(15)</u>	<u>(15)</u>
Net book value		
At 31 December 2020	<u>21</u>	<u>21</u>
At 31 December 2019	<u>28</u>	<u>28</u>

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2020	150,778
Additions	<u>22,055</u>
At 31 December 2020	<u>172,833</u>
Provision	
At 1 January 2020	(53,684)
Impairments provided in the year	<u>(73,904)</u>
At 31 December 2020	<u>(127,588)</u>
Net book value	
At 31 December 2020	<u>45,245</u>
At 31 December 2019	<u>97,094</u>

The Company made the following capital injections into its subsidiaries during the year:

Centrica Business Solutions Ireland Limited: £1,897,000 in December 2020

Centrica Business Solutions Mexico S.A. DE C.V.: £725,000 in December 2020

Centrica Business Solutions Belgium NV: £13,552,000 in June 2020 and £5,881,000 in December 2020

A total impairment of £73,904,000 was the result of the review of investment carrying values and relates to the following investments:

Panoramic Power Limited: £2,721,000

Centrica Business Solutions Mexico S.A. DE C.V.: £1,683,000

Centrica Business Solutions Belgium NV: £69,500,000

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Investments (continued)

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
Centrica Business Solutions International Limited*	Holding	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	100%	100%
Centrica (Lincs) Wind Farm Limited*	Holding	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	100%	100%
Distributed Energy Customer Solutions Limited*	Energy management products and services	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	100%	100%
Distributed Energy Asset Solutions Limited*	Dormant	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	100%	100%
Centrica Business Solutions Belgium NV*	Demand response aggregation	Posthofbrug 12 2600 Antwerp Belgium	Ordinary	99.98%	99.98%
Panoramic Power Limited*	Energy management products and services	15 Atir Yeda Street Kfar Saba 44643 Israel	Ordinary	100%	100%
Centrica Business Solutions Mexico S.A. DE C.V.*	Energy management products and services	Presidente Masaryk No. 61, Piso 7, México, D.F. CP 11570 Mexico	Class 1	99.87%	99.87%

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
Centrica Business Solutions Ireland Limited*	Energy management products and services	1 Warrington Place Dublin 2 Republic of Ireland	Ordinary	100%	100%
Celtic Array Limited (i)*	Development of an offshore windfarm	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	50%	50%
Rhiannon Wind Farm Limited (ii)	Dormant	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	50%	50%
Centrica Business Solutions France SASU	Demand response aggregation	60 Avenue Charles de Gaulle Cs 60016 92573 Neuilly sur Seine Cedex France	Ordinary	99.98%	99.98%
Centrica Business Solutions UK Optimisation Limited	Demand response aggregation	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	99.98%	99.98%
Restore North America LLC (iii)	Demand response aggregation	WTS LLC, 67 East Park Place Morristown New Jersey 07960 United Kingdom	Membership interest	0%	99.98%
FES Energy Solutions Limited	Energy management products and services	1 Warrington Place Dublin 2 Ireland	Ordinary	100%	100%

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
Centrica Business Solutions Deutschland GmbH	Demand response aggregation	Neuer Wall 10 20354 Hamburg Germany	Ordinary	99.98%	99.98%

* indicates direct investment of the company

(i) Celtic Array Limited has been in liquidation since May 2021.

(ii) Rhiannon Wind Farm Limited was dissolved on 6 July 2021.

(iii) Restore North America LLC was dissolved on 30 October 2020.

On 2 March 2021 the Company acquired 100% of the ordinary share capital of Pennings Power Ltd for a total consideration of £1,138,000.

13 Trade and other receivables

	2020 Current £ 000	2019 Current £ 000
Amounts owed by Group undertakings	9,257	-
Other receivables	15	17
	<u>9,272</u>	<u>17</u>

The amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Trade and other payables

	2020	2019
	Current £ 000	Current £ 000
Trade payables	(284)	(129)
Accrued expenses	(149)	-
Amounts owed to Group undertakings	(68,209)	(29,297)
Other payables	(155)	-
	<u>(68,797)</u>	<u>(29,426)</u>

The amounts owed to Group undertakings have been presented on a net basis as there is a right of offset against certain amounts.

Included within the net amounts owed to Group undertakings disclosed above is a net payable of £51,483,000 (2019: £26,783,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.42% and 4.73% per annum during 2020 (2019: 4.20% and 4.90%). The net amount payable consists of a gross payable of £121,580,000 (2019: £95,500,000) and gross receivable of £70,097,000 (2019: £68,717,000).

The remaining amount owed to Group Undertakings of £16,758,000 (2019: £2,514,000) is interest free. All amounts owed to Group undertakings are unsecured and repayable on demand.

15 Provisions for other liabilities and charges

	Restructuring £ 000	Total £ 000
Charged to the Income Statement	(41)	(41)
Provisions used	<u>31</u>	<u>31</u>
At 31 December 2020	<u>(10)</u>	<u>(10)</u>
Non-current liabilities	<u>(10)</u>	<u>(10)</u>

Centrica Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 Capital and reserves

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,011</u>	<u>1,011</u>	<u>1,011</u>	<u>1,011</u>

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 shareholder of the Company at the reporting date.

17 Parent and ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is Centrica plc, 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.

18 Non adjusting events after the financial period

On 2 March 2021 the Company acquired 100% of the ordinary share capital of Pennings Power Ltd for a total consideration of £1,138,000.

Celtic Array Ltd, of which the Company holds 50% of the ordinary share capital, has been in liquidation since May 2021.