Registration number: 04248952

Centrica Offshore UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Centrica Offshore UK Limited

Contents

Centrica Offshore UK Limited

Company Information

Directors
M R Scargill
R Roy
T R Thomsen

Secretary
Centrica Secretaries Limited

Auditor
Deloitte LLP
2 New Street Square
London
United Kingdom
EC4A 3BZ

Registered office
Woodland House
Woodland Park
Hessle
United Kingdom
HU13 0FA

Registered number
04248952

The Directors present their Strategic Report for Centrica Offshore UK Limited (the 'Company') for the year ended 31 December 2021.

Principal activity

The Company continues to own the production licence for the Rough reservoir, which was historically used as a storage facility by the immediate parent company, Centrica Storage Limited (CSL). The Company has the right to extract the remaining indigenous gas and condensate, subject to regulatory consents. The Company also has the obligation to decommission the Rough facility after extracting the indigenous gas.

Section 172(1) Statement

In promoting the success of the Company, the Directors must consider the interests of stakeholders and the other matters required by section 172(1) (a) to (f) of the Companies Act.

This Section 172(1) Statement describes the relevant items for the Company. The Company is a subsidiary of Centrica plc and its activities 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 ultimate 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. Day to day authority is delegated to executives, and the Directors are supported by management in setting, approving and overseeing the execution of the business strategy and related policies. The executives consider the Company's activities, such as reviewing financial and operational performance, business strategy, key risks, stakeholder-related matters, governance, and legal and regulatory compliance 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

Centrica plc is conscious that decisions made by all Group companies could have an impact on other stakeholders where relevant. By considering the Group's purpose, vision and values.together with its strategic priorities and having a process in place for decision-making, the Group aims to ensure that the decisions of all Group companies, including the Company, are consistent and appropriate in all circumstances. Decisions regarding payment of any dividends by subsidiary companies of Centrica plc are taken at a Group level based upon the expertise and professional guidance of the Group's financial controllers, taking into account a range of factors, including: the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in the Company; and the expectations of the ultimate parent company's shareholders as a supplier of long-term equity capital to the Company.

(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; 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

Centrica plc recognises the benefits for all Group companies of engaging with a broad range of stakeholders and that developing and delivering the Group's strategy depends on building and maintaining constructive relationships. In ensuring the Company fosters the business relationships with suppliers, customers and others, the Company and its Directors are therefore supported by the overarching programme of extensive engagement with such stakeholders that is conducted across the wider Centrica Group. The breadth of stakeholder considerations in our operating or commercial trading companies is set out on pages 8 to 9 of Centrica plc's Annual Report and Accounts 2021.

General confirmation of Directors' duties (continued)

(d) The impact of the Company's operations on the community and the environment

Centrica plc appreciates that collaboration with charities and community groups helps to create stronger communities and provides insights that enable the Group to understand the impact of all Group companies on the community and environment, and the consequences of its decisions in the long term. In ensuring the Company takes into account the impact of its operations on the community and the environment, the Company and its Directors are supported by the overarching programme of extensive engagement with the community and wider environment that is conducted across the wider Centrica Group. Further information about how the Centrica Group engages with communities and NGOs can be found on pages 30 to 31 of Centrica plc's Annual Report and Accounts 2021.

(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

The Company's activities support the wider strategy of the Centrica Group and, owing to the fact the Company is a wholly owned subsidiary of Centrica plc, the Directors are required only to balance the interests of corporate shareholders that are themselves wholly owned subsidiaries of Centrica plc, rather than any third party members.

Culture

The Company's culture is set by the Group and embedded in all we do. Further information on the Group's culture can be found on pages 26 to 36 of Centrica plc's Annual Report and Accounts 2021.

Stakeholder engagement

As is normal for large companies, the Directors delegate authority for day to day management of the Company to executives engaged in setting, approving and overseeing execution of the business strategy and related policies of the Group. While there may be cases where the Directors judge that the Company should engage directly with certain stakeholder groups or on specific issues, the size and spread of both our stakeholders and the Group means that generally, stakeholder engagement best takes place at an operational or Group level. The Directors consider that as well as being a more efficient and effective approach, this also helps achieve a greater positive impact on environmental, social and other issues than working alone as an individual company. A description of how the Group engages with its stakeholders is set out on pages 8 to 9 of Centrica plc's Annual Report and Accounts 2021.

Review of the business

The Company reported a profit for the financial year of £64,063,000 (2020: loss of £2,375,000), after exceptional income of £48,351,000 (2020: charges of £6,364,000).

During the year, the Company continued to produce indigenous gas and associated liquids from the Rough reservoir under the revised production licence granted by the Oil and Gas Authority (OGA) in January 2018. The gas is produced using the company's facilities which are operated by its parent company Centrica Storage Limited (CSL).

During June 2020, the Company determined that to maximise the value of the remaining gas reserves Rough would transition to a seasonal production profile for 2021. The Company produced gas from Rough primarily during the gas year Winter (October to March) and then had an outage during the gas year Summer (April to September).

The revised production strategy, combined with the rundown profile for production reduced the total Rough sales gas production to 15 bcf (2020: 22 bcf). The Company continues to review its production strategy on an ongoing basis to maximise the value of returns from the Rough field.

Gross revenue for 2021 increased to £135,615,000, up 28% compared to 2020 (£105,862,000), driven by the improvement in National Balancing Point gas prices in 2021, despite reduced sales gas production of 15 bcf in 2021 (2020: 22 bcf) due to the Rough rundown profile.

Review of the business (continued)

Cost of sales increased in the year to £131,568,000 (2020: £116,816,000) due to fair value losses on unsettled price hedges in 2021 of £54,659,000 (2020: loss £43,405,000) and increased cost share cost of sales from CSL of £2,554,000. Operating costs from the cost share arrangement with CSL have decreased by £5,402,000, reflecting the impact of lower group recharges following the significant Group restructure announced 11 June 2020 and cost savings achieved during the year.

During the year, a cost recharge of £78,332,000 (2020: £81,179,000) was made by the Company's immediate parent, CSL, split £67,493,000 cost of sales (2020: £64,938,000) and £10,839,000 operating costs (2020: 16,241,000) in line with the cost share agreement.

In 2021 the exceptional item recognised of £48,351,000 related to impairment reversal driven by an improvement in National Balancing Point gas prices. In 2020 £6,364,000 of exceptional charges were recognised in relation to impairment of offshore assets which relate to the 47/8A plant and machinery which has permanent cessed operations and being decommissioned. The carrying value of the 47/8A assets increased in 2020 on the remeasurement of the decommissioning provision to reflect the reduction in the interest free rate to 0.0%, however as the assets are being decommissioned the carrying value could not be supported.

Net liabilities reduced to a £122,000 deficit (2020: deficit of £64,185,000). This reflects the impact of the statutory profit in the year, in particular the impairment reversal of non-current assets and the fair value movement on derivative financial instruments during the year.

The Company's net working capital balances, consisting of trade and other receivables and trade and other payables have increased to £200,222,000 (2020: £153,707,000) reflecting the statutory profit in the year and the purchase of non-current assets, constructed on its behalf by its immediate parent company CSL.

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 38-46 of the Group's Annual Report and Accounts 2021, 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')

Given the nature of the business, the Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of development, performance or position of the business, other than volume of gas sold and the average achieved price. 15 bcf of gas was sold in 2021 (2020: 22 bcf) at an average achieved price of 85 pence per therm (p/th) (2020: 46 p/th).

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 14-15 of the Group's Annual Report and Accounts 2021, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 6.

Future developments

The Directors anticipate the Company will make profits in the short term through the production of the remaining Rough gas reserves. In the medium term the Company will make losses during the decommissioning of the facilities.

The Centrica Group including the Company has also engaged with Government and regulators to promote the role Rough could play in the decarbonisation of the UK while creating thousands of skilled well paid jobs via the repurposing of the facilities to support the energy transition, including the potential to return Rough for use as a gas storage asset.

The Directors of the Company are committed to the delivery of net zero carbon emissions objectives and supporting the local area to achieve net zero carbon emissions. The Company also supports the Group's People and Planet strategy. Further information on this strategy is disclosed on page 28-37 of the Group's Annual Report and Accounts 2021, which does not form part of this report.

Approved by the Board on 27 July 2022 and signed on its behalf by:

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

Company registered in England and Wales, No. 04248952

Registered office:
Woodland House
Woodland Park
Hessle
United Kingdom
HU13 0FA

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

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 R Scargill
G C McKenna (Resigned 5 August 2021)
R Roy (Appointed 5 August 2021)
T R Thomsen

Results and dividends

The results of the Company are set out on page 13. The profit for the financial year ended 31 December 2021 is £64,063,000 (2020: loss of £2,375,000), including exceptional income of £48,351,000 (2020: charges of £6,364,000).

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2020: £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.

The Company has direct exposure to price risk. Given the size and nature of the Company, the price risk is integrated with those of the Centrica plc group and are not managed separately. The Group's overall risk management processes are designed to identify, manage and mitigate these price risks.

Counterparty credit risk is primarily associated with amounts due from fellow Group undertakings. Liquidity risk is managed through funding arrangements with Group undertakings. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly.

Regulatory and compliance risk

The Company is required to operate within the regulatory guidelines set by UK bodies including the Gas Act 1995. These place constraints on the Company's activities. Failure to comply with the regulations set by these bodies carries significant reputational, financial and legal consequences. The regulatory and compliance team for the Centrica Storage Holdings Limited group of companies monitors regulatory risk and updates Directors on a regular basis.

Asset integrity risk

The Company is expected to be profit making in the short term through the extraction and sale of the indigenous gas and associated liquids in the Rough field. The Company is therefore dependant on the Rough assets' integrity in order to extract future gas. However, the Company believes this is not a major risk as CSL remains committed to maintaining the Rough assets to operate safely, in order to facilitate gas production.

Future developments

Future developments are discussed in the Strategic Report on page 4.

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 going concern assessment as at 31 December 2021 is based upon the Group Annual Plan for 2022 and the longer-term strategic forecast for 2023 and 2024. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including asset performance, commodity prices, weather and competitive pressures creating disruption in our customer-facing markets. Important context to the going concern assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. As at 31 December 2021, the Group had total committed credit facilities of £4.8 billion, of which £0.4 billion expires in 2024 and the remaining £4.4 billion expire in 2025. The undrawn committed facilities as at 31 December 2021 were £3.0 billion in addition to total liquid resources of £3.6 billion.

The full Centrica Group results were released on 24th February 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet is much stronger than 2020, with a positive cash position of £0.7 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £948 million.

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.

Gas reserves (unaudited)

The Company has estimated proven and probable (2P) gas reserves. Estimates are made by management based on the results of reserve studies performed by independent third-party consultants. The principal field is the Rough field, with estimated net proven and probable reserves of 25 bcf at 31 December 2021 (2020: 44 bcf).

During 2021, the Company re-assessed its 2P gas reserves and identified a reduction of 3 bcf of reserves based on the latest reservoir performance data.

The Company extracted 16 bcf of gas during 2021 (2020: 23 bcf).

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website which, in the absence of a website for Centrica Gamma Holdings Limited, we refer to the Centrica plc Group website for this responsibility. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor
Each of the Directors who held office at the date of approval of this Annual Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is 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.

Strategic report
The Directors have chosen in accordance with Section 414C (11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the Directors consider these are of strategic importance to the Company.

Non-adjusting events after the financial period

Energy Profits Levy

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the UK ring fence profits of oil and gas producers with effect from 26 May 2022. The legislation introducing the EPL was substantively enacted on 11 July 2022.

The EPL is charged at the rate of 25% on taxable profits in addition to ring fence corporation tax of 30% and Supplementary Charge of 10%, making a total rate on ring fence profits of 65%.

The company's profits from the Rough field will be impacted by the EPL and the results for the year ended 31 December 2022 will reflect the additional tax.

The impact on the deferred tax balances is to increase the deferred tax liabilities by £5m.

Gas Storage Licence

On 8 June 2022, the Company applied for a Gas Storage Licence from the North Sea Transition Authority (NSTA). The NTSA approved the granting of this licence to the Company on 21 July 2022.

No reasonable estimate of the financial impact of this event can be made.

Auditor

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

Approved by the Board on 27 July 2022 and signed on its behalf by:

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

Company registered in England and Wales, No. 04248952

Registered office:
Woodland House
Woodland Park
Hessle
United Kingdom
HU13 0FA

Centrica Offshore UK Limited

Independent auditor's report to the member of Centrica Offshore UK Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Centrica Offshore UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its 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 20.

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.

Independent auditor's report to the member of Centrica Offshore UK Limited (continued)

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 frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included 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. These included terms of the field licenses monitored by the Industry Regulator and local health and safety and environmental laws and regulations.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud (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.

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
28 July 2022

Centrica Offshore UK Limited

Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000's	2020 £ 000's
Revenue	4	135,615	105,862
Cost of sales	5	(131,568)	(116,816)
Gross profit/(loss)		**4,047**	**(10,954)**
Operating costs	5	(10,839)	(16,241)
		(6,792)	(27,195)
Exceptional items – Impairment reversal/(impairment) of non-current assets	6	48,351	(6,364)
Operating profit/(loss)		**41,559**	**(33,559)**
Finance costs	8	-	(3,307)
Profit/(loss) before tax		**41,559**	**(36,866)**
Tax credit	10	22,504	34,491
Profit/(loss) for the year		**64,063**	**(2,375)**

The above results were derived from continuing operations.

A Statement of Comprehensive Income is not presented as there is no other comprehensive income other than the results for each financial year.

The notes on pages 17 to 34 form an integral part of these financial statements.

Centrica Offshore UK Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000's	2020 (restated) £ 000's
Non-current assets			
Intangible assets	12	502	71
Property, plant and equipment	11	93,012	37,313
Deferred tax assets	10	108,854	89,625
Trade and other receivables	13	252,303	212,936
		454,671	339,945
Current assets			
Trade and other receivables	13	-	-
		-	-
Total assets		**454,671**	**339,945**
Current liabilities			
Trade and other payables	14	(52,081)	(59,229)
Derivative financial instruments	17	(63,621)	(8,962)
Current tax liabilities		(14,492)	(11,082)
Provisions for other liabilities and charges	15	(36,465)	(5,610)
		(166,659)	(84,883)
Net current liabilities		**(166,659)**	**(84,883)**
Total assets less current liabilities		**288,012**	**255,062**
Non-current liabilities			
Provisions for other liabilities and charges	15	(288,134)	(319,247)
		(288,134)	(319,247)
Total liabilities		**(454,793)**	**(404,130)**
Net liabilities		(122)	(64,185)

The notes on pages 17 to 34 form an integral part of these financial statements.

Centrica Offshore UK Limited

Statement of Financial Position as at 31 December 2021 (continued)

	Note	2021 £ 000's	2020 (restated) £ 000's
Equity			
Share capital	16	4,500	4,500
Retained losses	16	(4,622)	(68,685)
Total equity		(122)	(64,185)

The prior year has been re-presented to reclassify £212,936,000 of current receivables owed by Group undertakings to non-current receivables owed by Group undertakings as they do not meet the IAS 1 'Presentation of Financial Statements' classification criteria for current assets. The non-current receivables owed by Group undertakings are unlikely to be repaid before 31 December 2022. See note 2 for further details.

The financial statements on pages 13 to 34 were approved and authorised for issue by the Board of Directors on 27 July 2022 and signed on its behalf by:

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M R Scargill
Director

Company number 04248952

The notes on pages 17 to 34 form an integral part of these financial statements.

Centrica Offshore UK Limited

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

	Share capital £ 000's	Retained losses £ 000's	Total equity £ 000's
At 1 January 2021	4,500	(68,685)	(64,185)
Profit for the year	-	64,063	64,063
At 31 December 2021	**4,500**	**(4,622)**	**(122)**

	Share capital £ 000's	Retained losses £ 000's	Total equity £ 000's
At 1 January 2020	4,500	(66,310)	(61,810)
Loss for the year	-	(2,375)	(2,375)
At 31 December 2020	**4,500**	**(68,685)**	**(64,185)**

The notes on pages 17 to 34 form an integral part of these financial statements.

1 General information

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

The address of its registered office and principal place of business is:

Woodland House
Woodland Park
Hessle
United Kingdom
HU13 0FA

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 5.

2 Accounting policies

Basis of preparation
The Company's 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 as issued by the IASB and in conformity with the requirements of the Companies Act 2006.

Changes in accounting policy
From 1 January 2021, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IFRS 17 and IFRS 4: 'Insurance Contracts' - deferral of IFRS 9; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2.

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;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of capital management;
- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the indefinite life intangible assets; and

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- 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 except for derivative financial instruments.

These financial statements are presented in pounds sterling, (with all values rounded to the nearest thousand pounds £000's except where otherwise indicated) which is also the functional currency of the Company. Transactions conducted in foreign currencies are translated in accordance with the foreign currencies accounting policy set out below.

Re-presentation of amounts owned by Group Undertakings

During 2021, the Company's current receivable balances with Group undertakings were reassessed against the classification criteria of current assets as set out in 'IAS 1 'Presentation of Financial Statements'. All outstanding current receivable balances owned by Group undertakings are repayable on demand as per the contractual agreement and arise mainly from funding provided by the Company to its subsidiaries. However, IAS 1 states that "an entity shall classify an asset as current when it expects to realise the asset within twelve months after the reporting period". The Company reassessed the current amounts owed by Group undertakings based on expected timing and subsidiaries' intention to repay the amounts due within twelve months after the reporting date and concluded that £252,303,000 (2020: £212,936,000) of the current receivables balances as at 31 December 2021 should be classified as non-current assets; comparatives have therefore been restated as detailed further in note 13 of the Company's Financial Statements.

At the same time, the Company has also analysed the current payable balance with Group undertakings presentation to 'IAS 1 'Presentation of Financial Statements' where these are not expected to be settled within twelve months after the reporting period. However, they are contractually payable on demand from Company's perspective, therefore due within twelve months and continue to be presented as current liabilities as detailed further in note 14 of the Company's Financial Statements.

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 going concern assessment as at 31 December 2021 is based upon the Group Annual Plan for 2022 and the longer-term strategic forecast for 2023 and 2024. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including asset performance, commodity prices, weather and competitive pressures creating disruption in our customer-facing markets. Important context to the going concern assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. As at 31 December 2021, the Group had total committed credit facilities of £4.8 billion, of which £0.4 billion expires in 2024 and the remaining £4.4 billion expires in 2025. The undrawn committed facilities as at 31 December 2021 were £3.0 billion in addition to total liquid resources of £3.6 billion.

The full Centrica Group results were released on 24th February 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet is much stronger than 2020, with a positive cash position of £0.7 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £948 million.

2 Accounting policies (continued)

Going concern (continued)
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.

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is stated as amounts invoiced to customers for the sale of condensate and indigenous gas, and excludes value-added tax.

Revenue arising from the sale of produced gas is recognised in a manner consistent with energy supply contracts with the revenue recognition profile reflecting the supply of gas to the customer. In respect of condensate sales, each shipment of condensate is considered a separate performance obligation satisfied at a point in time – on delivery.

The rights and obligations identifiable within a contract where the Company holds sellers' nomination rights are considered to be enforceable from inception of the contract. The transaction price for the contract will include variable consideration based on production volumes and market driven prices. The point at which the performance obligation is satisfied and revenue recognised is the point at which control of the commodity passes to the customer according to the contractual trading terms, usually on shipment or delivery to a specified location.

The Company sells gas to the market through its immediate parent company, Centrica Storage Limited. Gas is sold at arm's length prices. Condensate is sold to third parties.

Cost of sales
Cost of sales includes depreciation of assets used for gas production including plant and machinery, cushion gas and abandonment assets.

Finance costs
Finance costs include the impact of discounting on the Company's decommissioning liabilities. The release of the risk-free element of the discount rate is charged to the income statement each year. For further information see note 15.

Exceptional items
Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the income statement. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contract charges and asset write-downs/impairments.

Taxation
Current tax, including UK corporation tax and UK petroleum 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.

2 Accounting policies (continued)

Taxation (continued)
Deferred tax is recognised in respect of all temporary differences identified at the reporting date. 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.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets include application software. For purchased application software, the costs include contractors' charges, materials, directly attributable labour and directly attributable overheads.

Capitalisation begins when expenditure for the asset is being incurred and activities necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Amortisation commences at the point of commercial deployment.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their expected production profile and assessed for impairment whenever there is an indication that the intangible asset could be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least annually. Changes in the expected production profile or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for on a prospective basis by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from their use.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the intangible asset could be impaired, either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortised.

Amortisation
Intangible assets subject to amortisation are provided so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Application software	Unit of production

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.

2 Accounting policies (continued)

Depreciation of PP&E

Depreciation is charged at rates sufficient to write off the cost, less any estimated residual value, of individual assets on either a unit of production basis using expected production profiles or on a straight-line basis using estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	Unit of production
Cushion gas	Unit of production
Abandonment assets – excluding terminal abandonment asset	Unit of production
Terminal abandonment asset	Straight line, over 17 years

The unit of production methodology depreciates the remaining asset net book value including any expected future capital expenditure to access the recoverable 2P reserves, over the total remaining recoverable 2P reserves.

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. When cash is dispersed in respect of amounts provided for the related provision is released.

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning the gas production facilities at the end of the producing lives of fields, based on price levels and technology at the reporting date.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the Income Statement within interest expense.

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 post-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).

Recoverable amount calculations use cash flow projections based on the Group's internal Board-approved five-year business plans, which include observable market data where available and liquid. For net realisable value calculations, the cash flows are discounted at a post-tax rate of 10.0% (2020: 10.0%).

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. In respect of other assets, 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 derecognised 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 derecognised when the obligation under the liability is discharged, cancelled or expires.

- Trade and other receivables

Trade receivables and amounts owed by group undertakings are amounts due from customers for gas and condensate sold or services performed in the ordinary course of business.

Trade receivables and amounts owed by group undertakings 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. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not they are presented as non-current assets.

- Trade and other payables

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

Trade payables and amounts owed to group undertakings 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.

2 Accounting policies (continued)

Derivative financial instruments
The Company routinely enters into sale transactions for physical delivery of gas. These sales contracts are within the scope of IFRS 9 due to the fact that they net settle or contain written options. Such contracts are accounted for as derivatives under IFRS9 and are recognised in the Company's Statement of Financial Position at fair value. Gains and losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the Income Statement for the year.

The Company uses a derivative to hedge exposures to financial risks, such as energy price risks, arising in the normal course of business. The use of derivative financial instruments is governed by the Group's policies. Further detail on the Group's risk management policies is included within the Annual Report and Accounts 2021 of the ultimate controlling party being Centrica plc, in the Strategic Report - Principal Risks and Uncertainties on pages 38 to 46 and in note S3.

All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and derivative liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

Derivatives are classified as current and non-current assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

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 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
There are no critical judgements in applying the Company's accounting policies.

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 costs (note 15)
The estimated cost of decommissioning at the end of the producing lives of processing assets is reviewed periodically and is based on price levels and technology at the Statement of Financial Position date. Provision is made for the estimated cost of decommissioning at the Statement of Financial Position date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities. Most of the decommissioning costs are expected to be incurred over a five-year period.

The level of provision held is also sensitive to the discount rate used to discount the estimated decommissioning costs. The real discount rate used to discount the decommissioning liabilities at 31 December 2021 is 0.0% (2020: 0.0%). A 1% increase in the real discount rate would reduce the decommissioning provision by £16,355,000.

The decommissioning asset related to 47/8A has been written off as a result of the permanent cessation of operations on 47/8A and has subsequently entered its decommissioning phase.

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

Gas and liquid reserves

The volume of proven and probable (2P) gas and liquids reserves is an estimate that affects the unit of production method of depreciating producing assets as well as being a significant estimate affecting decommissioning and impairment calculations. The factors impacting gas and liquids estimates, the process for estimating reserve quantities and reserve recognition are described in the Annual Report and Accounts of the ultimate controlling party being Centrica plc on page 223.

Determination of fair value – energy derivatives

Fair values of energy derivatives are estimated by reference in part to published price quotations in active markets and in part by using valuation techniques. Quoted market prices considered for valuation purposes are the bid price for assets held and/or liabilities to be issued, or the offer price for assets to be acquired and/or liabilities held, although the mid-market price or another pricing convention may be used as a practical expedient (where typically used by other market participants). The judgements and the assumptions underpinning these judgements are considered to be appropriate.

Impairment of long-lived assets (note 11 & 12)

The Company has several long-lived assets that are assessed for impairment at each reporting date in accordance with the Company's accounting policy. The Company makes judgments and estimates in considering whether the carrying amounts of these assets or cash generating units (CGUs) are recoverable. The key assets that are subjected to impairment tests are Property, plant and equipment along with intangible assets.

The recoverable amount of the Company's operational facilities is calculated by discounting the post-tax cashflows expected to be generated by the assets based on predictions of forward National Balancing Point (NBP) gas prices, gas production profiles, capital expenditure, operating expenditure and decommissioning costs.

Future post tax cash flows are dependent on the assumptions outlined in note 2. Future post tax cashflows are dependent on the assumptions outlined in note 2 and the forward NBP gas prices. The forward NBP gas prices are calculated via the forward market curve for the first two years, then a blended period, followed by a fundamental view from three years onwards. The average gas price used in the impairment calculation was 143 pence per therm (p/th) for the period from 2022 to 2023.

A significant impairment reversal has been identified in the year.

The valuation of long-lived assets is sensitive to the price assumptions made in the impairment calculations, however due to significant headroom at the end of the year between the net book value of assets and the net present value of cashflows related to those assets at the end of the year, a 30% decrease in the price assumption would be required before the assets would be impaired.

4 Revenue

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

	2021 £ 000's	2020 £ 000's
Cushion gas	134,012	104,748
Condensate	1,603	1,114
	135,615	**105,862**

All revenue arose from activities in the United Kingdom.

5 Analysis of costs by nature

	2021 Cost of sales £ 000's	2021 Operating costs £ 000's	2021 Total costs £ 000's	2020 Cost of sales £ 000's	2020 Operating costs £ 000's	2020 Total costs £ 000's
Direct costs	67,493	-	67,493	64,939	-	64,939
Depreciation & Amortisation (notes 11 & 12)	9,416	-	9,416	8,472	-	8,472
Derivative fair value movement	54,659	-	54,659	43,405	-	43,405
Operating costs	-	10,839	10,839	-	16,241	16,241
Total costs by nature	**131,568**	**10,839**	**142,407**	**116,816**	**16,241**	**133,057**

With effect from 20 June 2017, the Company entered into a cost share agreement with its immediate parent Centrica Storage Limited (CSL). Costs of £78,332,000 were recharged in the year (2020: £81,179,000) split £67,493,000 cost of sales (2020: £64,938,000) and £10,839,000 operating costs (2020: £16,241,000) in line with the cost share arrangement.

6 Exceptional items

The following exceptional items were recognised in arriving at operating profit/(loss) for each reporting period:

	2021 £ 000's	2020 £ 000's
Impairment reversal of intangible assets (note 12)	(276)	-
(Impairment reversal)/impairment of tangible assets (note 11)	(48,075)	6,364
	(48,351)	**6,364**

The current year impairment reversal of £48,351,000 arose primarily as a result of improving forward NBP gas prices. For further details, see note 3.

As a result of the decision to permanently suspend operations at 47/8A, the Company wrote off the 47/8A Plant and Machinery and related Abandonment Asset as an exceptional charge in 2016. During the prior year, a change in the risk-free rate, led to an increase in the asset value of £6,364,000 which was immediately impaired.

7 Employee costs

The Company had no employees (2020: nil) and no staff costs (2020: 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. Accordingly, no details in respect of their emoluments have therefore been included in these financial statements.

8 Finance cost

	2021 £ 000's	2020 £ 000's
Decommissioning provision notional interest	-	3,307
	-	**3,307**

9 Auditor's remuneration

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

	2021 £ 000's	2020 £ 000's
Audit fees	19	15

Auditor's remuneration relates to fees for the audit of the financial statements of the Company, and the fees were paid by another Company within the Group.

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 (credited)/charged in the Income Statement

	2021 £ 000's	2020 £ 000's
Current taxation		
UK corporation tax	8,191	-
Adjustments in respect of prior period	(11,466)	(9,224)
Total current income tax	(3,275)	(9,224)
Deferred taxation		
Origination and reversal of temporary differences	(18,203)	(19,956)
Changes in tax rates	-	(5,311)
Adjustment in respect of prior period	(1,026)	-
Total deferred taxation	(19,229)	(25,267)
Taxation per income statement	(22,504)	(34,491)

10 Income tax (continued)

The UK rate of corporation tax for the year to 31 December 2021 was 19% (2020: 19%).

The UK corporation tax rate will increase to 25% with effect from 1 April 2023. At 31 December 2021, the relevant UK deferred tax assets and liabilities included in these Financial Statements were measured at the prevailing rate applicable for the period when the underlying temporary differences are expected to reverse.

Upstream gas and oil production activities are taxed at a corporation tax rate of 30% (2020: 30%) plus a supplementary charge of 10% (2020: 10%) to give an overall rate of 40% (2020: 40%). In addition, certain upstream assets in the UK attract petroleum revenue tax (PRT) at 0% (2020: 0%), giving an overall effective rate of 40% (2020: 40%). Upstream deferred tax assets and liabilities included in these financial statements are based on the 40% overall effective tax rate having regard to their reversal profile.

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the UK ring fence profits of oil and gas producers with effect from 26 May 2022. The legislation introducing the EPL was substantively enacted on 11 July 2022.

The EPL is charged at the rate of 25% on taxable profits in addition to ring fence corporation tax of 30% and Supplementary Charge of 10%, making a total rate on ring fence profits of 65%.

The company's profits from the Rough field will be impacted by the EPL and the results for the year ended 31 December 2022 will reflect the additional tax.

The impact on the deferred tax balances is to increase the deferred tax liabilities by £5m.

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:

	2021 £ 000's	2020 £ 000's
Profit/(loss) before tax	41,559	(36,866)
Tax on profit/(loss) at standard UK corporation tax rate of 19% (2020: 19%)	7,896	(7,004)
Effects of:		
Adjustments in respect of prior periods	(12,492)	(9,224)
Income not taxable	(3)	(3)
Transfer pricing adjustments	1,229	1,430
Tax rate changes	-	(5,311)
Group and other reliefs	(1,229)	2,866
Additional charges applicable to upstream profits	1,185	(4,055)
Reassessment of deferred tax recognised	(19,090)	(13,190)
Total tax credit	(22,504)	(34,491)

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's	Temporary difference trading £ 000's	Total £ 000's
1 January 2021	5,861	83,764	89,625
(Charged)/credited to the Income Statement	(14,063)	32,266	18,203
Prior period adjustments	-	1,026	1,026
31 December 2021	(8,202)	117,056	108,854

	Accelerated tax depreciation £ 000's	Temporary difference trading £ 000's	Total £ 000's
1 January 2020	16,070	48,288	64,358
(Charged)/credited to the Income Statement	(11,209)	31,165	19,956
Prior period adjustments	1,000	4,311	5,311
31 December 2020	5,861	83,764	89,625

	2021 Assets £ 000's	Liabilities £ 000's	2020 Assets £ 000's	Liabilities £ 000's
Gross deferred tax balances crystallising after one year	117,056	(8,202)	89,625	-
Offsetting deferred tax balances	(8,202)	8,202	-	-
Net deferred tax balances	108,854	-	89,625	-

11 Property, plant and equipment

	Plant & Machinery £ 000's	Abandonment Asset £ 000's	Cushion Gas £ 000's	Total £ 000's
Cost				
At 1 January 2021	266,706	257,814	33,101	557,621
Additions	16,193	-	-	16,193
At 31 December 2021	282,899	257,814	33,101	573,814
Accumulated depreciation and impairment				
At 1 January 2021	245,783	241,424	33,101	520,308
Charge for the year (note 5)	7,615	954	-	8,569
Impairment reversal (note 6)	(27,598)	(18,242)	(2,235)	(48,075)
At 31 December 2021	225,800	224,136	30,866	480,802
Net book value				
At 31 December 2021	57,099	33,678	2,235	93,012
At 31 December 2020	20,923	16,390	-	37,313

	2021 £ 000	2020 £ 000
Assets in the course of construction (cost)	2,875	43,817

Assets in the course of construction are included within Plant & Machinery category.

There have not been any disposals of assets to third parties during the current year or prior year.

In the current year an impairment reversal of £48,351,000 arose primarily as a result of improving forward NBP gas prices.

12 Intangible fixed assets

	Application Software £ 000's
Cost	
At 1 January 2021	1,769
Additions	1,002
At 31 December 2021	**2,771**
Accumulated depreciation and impairment	
At 1 January 2021	1,698
Charge for the year (note 5)	847
Impairment reversal (note 6)	(276)
At 31 December 2021	**2,269**
Net book value	
At 31 December 2021	502
At 31 December 2020	71

13 Trade and other receivables

	2021		2020 (restated)	
	Current £ 000's	Non-current £ 000's	Current £ 000's	Non-current £ 000's
Amounts owed by Group undertakings	-	252,303	-	212,936
	-	**252,303**	**-**	**212,936**

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. All amounts owed by Group undertakings are unsecured, repayable on demand and non-interest bearing. The net amounts owed by Group undertakings exclude any derivative arrangements between Group companies.

The prior year has been restated to reclassify £212,936,000 of current receivables owed by Group undertakings to non-current receivables owed by Group undertakings as they do not meet IAS 1 'Presentation of Financial Statements' classification criteria for current assets. The non-current receivables owed by Group undertakings are unlikely to be repaid before 31 December 2022. See note 2 for further details.

14 Trade and other payables

	2021		2020	
	Current £ 000's	Non-current £ 000's	Current £ 000's	Non-current £ 000's
Amounts owed to Group undertakings	52,081	-	59,229	-
	52,081	**-**	**59,229**	**-**

The amounts owed to Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Amounts owed to Group undertakings are interest free, unsecured, repayable on demand and non-interest bearing. See note 2 for further details.

15 Provisions for other liabilities and charges

	Decommissioning £ 000's
At 1 January 2021	324,857
Capitalised:	
- Utilised during the period	(258)
At 31 December 2021	324,599
Non-current liabilities	288,134
Current liabilities	36,465

Decommissioning

The Company has recognised provisions for its obligations to decommission its production facilities at the end of their operating lives. The estimated cost of decommissioning at the end of the life of the production facilities is based on engineering estimates and, in the case of the Rough facility, reports from independent experts. Provision is made for the net present value of the estimated cost of decommissioning at the Statement of Financial Position date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a risk-free rate of 0.0% (2020: 0.0%).

The payment dates of expected decommissioning costs are uncertain, but the majority of decommissioning costs are expected to be incurred by 2036.

16 Capital and reserves

Allotted, called up and fully paid shares

	2021		2020	
	No.	£ 's	No.	£ 's
Ordinary shares of £1 each	4,500,000	4,500,000	4,500,000	4,500,000

Share Capital

The Ordinary shares have the rights and restrictions as set out in the Articles of Association of the Company.

Retained losses

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

17 Fair value of financial instruments

The Company buys and sells national balancing point gas through forward and futures contracts. An analysis is performed to assess whether these arrangements are financial instruments or not ('own-use contracts'). The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company adopts Group internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

Fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follow:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data.
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in managements best estimate of fair value.

Financial instruments carried at fair value

	31 December 2021			*31 December 2020*		
	Fair value and carrying value £ 000's	**Level 1 £ 000's**	**Level 2 £ 000's**	**Fair value and carrying value £ 000's**	**Level 1 £ 000's**	**Level 2 £ 000's**
Financial assets at fair value through profit or loss:						
Derivative financial assets - held for trading under IFRS9						
Energy derivatives	-	-	-	-	-	-
Total financial assets at fair value through profit or loss	-	-	-	-	-	-

	31 December 2021			*31 December 2020*		
	Fair value and carrying value £ 000's	**Level 1 £ 000's**	**Level 2 £ 000's**	**Fair value and carrying value £ 000's**	**Level 1 £ 000's**	**Level 2 £ 000's**
Derivative financial liabilities - held for trading under IFRS9						
Energy derivatives	(63,621)	-	(63,621)	(8,962)	-	(8,962)
Total financial liabilities at fair value through profit or loss	(63,621)	-	(63,621)	(8,962)	-	(8,962)
Net financial instruments at fair value	(63,621)	-	(63,621)	(8,962)	-	(8,962)

17 Fair value of financial instruments (continued)

Methods and assumptions

There were no material transfers during the financial year between level 1 and 2. There were no Level 1 trades during the year and at the end of the year.

Transfers between fair value hierarchy levels are based on the values of the relevant assets and liabilities at the beginning of the reporting period.

The Company has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

• quoted prices in active markets for the same instrument (i.e. without modification or repackaging) (Level 1);
• quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data (Level 2); and
• valuation techniques for which any significant input is not based on observable market data (Level 3).

Assessing the significance of a particular input requires judgement. For the purposes of the fair value hierarchy, the Directors have determined Level 2 as the appropriate hierarchy level for all valuations generated from the Company's trading system given that all financial assets and financial liabilities measured and held at fair value mature within the active period.

(b) Valuation techniques used to derive Level 2 fair values and valuation process

Level 2 foreign exchange derivatives comprise forward foreign exchange contracts which are fair valued using forward exchange rates that are quoted in an active market.

Level 2 energy derivatives are fair valued by comparing and discounting the difference between the expected contractual cash flows for the relevant commodities and the quoted prices for those commodities in an active market. The average discount rate applied to value this type of contract during 2021 was 1% per annum (2020: 1% per annum).

18 Related party transactions

The Company has taken advantage of the exemption within FRS 101 from disclosure of transactions with other wholly-owned Centrica plc Group companies and key management personnel compensation.

19 Parent and ultimate parent undertaking

The immediate parent undertaking is Centrica Storage 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, United Kingdom, SL4 5GD.

20 Non adjusting post balance sheet events

Energy Profits Levy

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the UK ring fence profits of oil and gas producers with effect from 26 May 2022. The legislation introducing the EPL was substantively enacted on 11 July 2022.

The EPL is charged at the rate of 25% on taxable profits in addition to ring fence corporation tax of 30% and Supplementary Charge of 10%, making a total rate on ring fence profits of 65%.

The company's profits from the Rough field will be impacted by the EPL and the results for the year ended 31 December 2022 will reflect the additional tax.

The impact on the deferred tax balances is to increase the deferred tax liabilities by £5m.

Gas Storage Licence

On 8 June 2022, the Company applied for a Gas Storage Licence from the North Sea Transition Authority (NSTA). The NTSA approved the granting of this licence to the Company on 21 July 2022.

No reasonable estimate of the financial impact of this event can be made.