

Registration number: 04262250

Centrica PB Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



Centrica PB Limited

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Centrica PB Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report for Centrica PB Limited (the 'Company') for the year ended 31 December 2019.

Principal activity

The Company operates a 245MW gas-fired open cycle gas turbine generating station in Peterborough ('Peterborough power station').

Review of the business

During 2019, the Company principally earned revenues through selling Short-Term Operating Reserve (STOR) services and Capacity Market (CM) commitments to National Grid under existing contracts which will remain in place until March 2020 and September 2020 respectively.

UK Capacity Market

The UK capacity market for power was designed to encourage investment in reliable capacity to secure future supplies of electricity for the UK. To achieve this, it offered fixed monthly payments to generators who had won capacity market contracts in the auctions, funded by energy suppliers (in proportion to their share of the UK electricity supply market). On 15th November 2018, the European Court of Justice annulled the European Commission's decision not to raise objections to the state aid scheme establishing a capacity market in the UK. This had the effect of placing the UK capacity market in standstill from the start of the capacity year commencing 1 October 2018. No payments, either to generators or from suppliers, were made under the scheme until a new approval is received from the European Commission confirming that the scheme does not breach state aid regulations. On 24 October 2019 the European Commission announced that it had reinstated the UK Capacity Market (CM), both retrospectively and prospectively. The company did not recognise any capacity market generator revenue for the period October - December 2018 because the receipts could not be deemed virtually certain at the 31 December 2018 balance sheet date. Any receipts received for this period once the market was reinstated have been recognised in the income statement in 2019.

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

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 34-43 of the Group's Annual Report and Accounts 2019, which does not form part of this report.

Exit from the European Union

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. It is unclear whether a trade deal will be agreed with the European Union during 2020 or the transition period will end without terms being agreed. 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.

Centrica PB Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Impact of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) outbreak and coronavirus disease (COVID-19) pandemic

On 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. Following United Kingdom government measures in response to the pandemic the Centrica plc group ("Group") became subject to a significant change in business environment, as well as implementing a number of significant operational changes in order to be able to continue to serve and support our customers. However, there are no significant changes in the business environment or operational changes specific to the Company in carrying out its principal activities, principally as the Company will continue to generate power for sale to National Grid.

The events described above arose after the Company's balance sheet date, and therefore there is no impact on the results or financial position of the Company as at 31 December 2019. The Company is supported by the Group, which has stated that it intends to support the Company for a period of at least 12 months from the date the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that there are a range of future potential financial impacts upon the Group as a result of the pandemic but, following assurances from the ultimate parent company underpinned by its detailed assessment, have satisfied themselves that the Group will be able to support the Company if required under all reasonably foreseeable circumstances. For more information refer to the Going Concern section of the Directors' Report on page 4.

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 18-19 of the Group's Annual Report and Accounts 2019, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 4.

Future developments

The Company successfully secured CM contracts for T-3 (2022/23) and T-4 (2023/24) delivery periods. In addition, the Company has taken on 2020/21 CM commitment from Centrica Brigg Ltd. As a result, the Company has CM revenue commitments in place until September 2024.

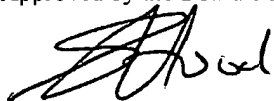
On 11 June 2020, Centrica announced plans for a significant restructure designed to create a simpler, leaner group focused on improved service delivery for customers. The revised operating model is expected to accelerate the delivery of targeted cost savings and lead to a reduction of around 5,000 roles across the Group. The majority of the restructuring is expected to take place in the second half of 2020 after necessary consultations on the proposals have been concluded. 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 but due to uncertainties arising from the consultation process it is not possible to quantify the effect at this time.

There are no plans to change the nature of the activities in the foreseeable future.

Centrica PB Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Approved by the Board on 06/11/2020 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. 04262250

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

Centrica PB Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

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:

Richard McCord (resigned 6 November 2019)

Mark Futyan (resigned 9 December 2019)

Alan Barlow (appointed 9 December 2019)

Michael Dennis (appointed 6 November 2019)

Results and dividends

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2019 is £174,000 (2018: loss £2,016,000).

The Company did not pay an interim dividend during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend (2018: £nil).

Objectives and policies

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 2.

Centrica PB Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to 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 to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2 April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

Non adjusting events after the financial period

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore the consequences of such interventions represent non-adjusting post balance sheet events. The Company has no critical judgements or key sources of estimation uncertainty at the balance sheet date which could have been subsequently affected by these events. There have been no further non-adjusting significant events affecting the Company after the year end.

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:

Centrica PB Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

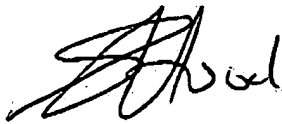
Disclosure of information to auditors

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

Auditors

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

Approved by the Board on 06/11/2020 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. 04262250
Registered office:
Millstream
Maidenhead Road
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SL4 5GD
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Centrica PB Limited

Independent Auditor's Report to the Members of Centrica PB Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centrica PB Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 21.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Centrica PB Limited

Independent Auditor's Report to the Members of Centrica PB Limited (continued)

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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.

Report on other legal and regulatory requirements

Opinion on other matter 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.

Centrica PB Limited

Independent Auditor's Report to the Members of Centrica PB Limited (continued)

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

Date: **6/11/20**

Centrica PB Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	4,527	8,252
Cost of sales	6	<u>(3,491)</u>	<u>(5,392)</u>
Gross profit		1,036	2,860
Operating costs	6	(1,227)	(1,864)
Exceptional items - impairment of property, plant and equipment	8	-	(3,833)
Exceptional items - other	8	(65)	-
Other income	5	<u>9</u>	<u>25</u>
Operating loss		<u>(247)</u>	<u>(2,812)</u>
Finance income	9	824	627
Finance costs	9	<u>(379)</u>	<u>(296)</u>
Net finance income		<u>445</u>	<u>331</u>
Profit/(loss) before taxation		198	(2,481)
Taxation on (profit)/loss	12	<u>(24)</u>	<u>465</u>
Profit/(loss) for the year from continuing operations		<u><u>174</u></u>	<u><u>(2,016)</u></u>

The above results were derived from continuing operations.

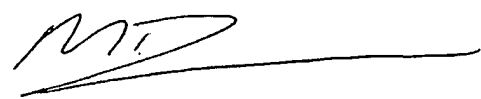
There were no recognised gains and losses in either period other than those shown above and accordingly no separate Statement of Comprehensive Income has been included in the Financial Statements.

Centrica PB Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Property, plant and equipment	13	7,417	2,976
Deferred tax assets	12	<u>1,700</u>	<u>2,109</u>
		<u>9,117</u>	<u>5,085</u>
Current assets			
Trade and other receivables, and contract-related assets	14	12,660	18,557
Inventories		1,148	1,114
Cash and cash equivalents		<u>3</u>	<u>-</u>
		<u>13,811</u>	<u>19,671</u>
Total assets		<u>22,928</u>	<u>24,756</u>
Current liabilities			
Trade and other payables, and contract-related liabilities	17	(2,364)	(8,940)
Borrowings	16	<u>(962)</u>	<u>(344)</u>
		<u>(3,326)</u>	<u>(9,284)</u>
Total assets less current liabilities		<u>19,602</u>	<u>15,472</u>
Non-current liabilities			
Provisions for other liabilities and charges		(2,797)	(2,976)
Loans and borrowings	16	<u>(7,793)</u>	<u>(3,658)</u>
		<u>(10,590)</u>	<u>(6,634)</u>
Net assets		<u>9,012</u>	<u>8,838</u>
Capital and reserves			
Share capital	19	-	-
Retained earnings		<u>9,012</u>	<u>8,838</u>
Shareholders' funds		<u>9,012</u>	<u>8,838</u>

The financial statement on pages 10 to 30 were approved and authorised for issue by the Board of Directors on 06/11/2020 and signed on its behalf by:



Michael Dennis
Director

Company number 04262250

Centrica PB Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	-	8,838	8,838
Profit for the year	-	174	174
Total Comprehensive Income	-	174	174
At 31 December 2019	-	9,012	9,012

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	-	10,854	10,854
Loss for the year	-	(2,016)	(2,016)
Total comprehensive loss	-	(2,016)	(2,016)
At 31 December 2018	-	8,838	8,838

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

Centrica PB 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.

Changes in accounting policy

From 1 January 2019, the following standards and amendments are effective in the Company's Financial Statements:

- IFRS 16: 'Leases'

The impact of adoption of IFRS 16 and the key changes to the accounting policy are disclosed below.

Changes resulting from adoption of IFRS 16

IFRS 16: 'Leases'

The Company adopted IFRS 16: 'Leases' from 1 January 2019. Adoption represents a significant change in accounting for lease arrangements in which the Company is a lessee as the standard mandates the on-balance sheet recognition of all lease liabilities and a corresponding right-of-use asset. In accordance with the transition provisions of IFRS 16, for contracts entered into before 1 January 2019, the requirements of the standard have been applied only to contracts previously identified as leases in accordance with IAS 17: 'Leases' or IFRIC 4: 'Determining Whether an Arrangement Contains a Lease'. For contracts entered into or modified after that date the definition of a lease in IFRS 16 has been applied. On application of IFRS 16 comparative information has not been restated.

The Company utilised the recognition exemptions for both short-term leases applicable to machinery, property and exploration and production assets that have a lease term of 12 months or less and for leases of low value assets (underlying asset value less than £5,000), including IT equipment. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term. The Company has also applied wherever applicable the following transition allowances:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

- reliance on previous assessment of whether leases are onerous in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- election not to apply the measurement requirements of the standard to leases where the term ends within 12 months of the date of initial application;
- exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

On transition, the Company measured lease liabilities for leases previously assessed as operating at the present value of the remaining lease payments and elected to measure the associated right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. For arrangements previously assessed as finance leases, the asset and liability balances at 31 December 2018 were carried forward as the opening IFRS 16 balances and subsequently measured in accordance with the new standard.

Application resulted in the recognition of incremental lease liabilities and right-of-use assets on 1 January 2019 of £5,185,000. Right-of-use assets are presented in Property, plant and equipment on the Statement of Financial Position. Lease liabilities are included in Current and Non-current Borrowings.

A reconciliation of the operating lease commitment at 31 December 2018 to the opening IFRS 16 lease liability is shown below, along with a summary of the key judgements applied by the Company in determining these opening positions:

	Note	£ 000
Operating lease commitment at 31 December 2018		5,679
Effect of discounting		(494)
IFRS 16 lease liability at 1 January 2019		<u>5,185</u>

The weighted average incremental borrowing rate used by the Company for IFRS 16 is 1.86%.

Significant Changes in the Company's Accounting Policy applicable from 1 January 2019

Leases

Definition of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Leases payments included in the measurement of the lease liability comprise: fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual value guarantee, and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. Variable lease payments that do not depend on an index or rate are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, lease-term extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use of asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company recognises the lease payments associated with short-term leases (leases expiring within twelve months from commencement) and leases of low value assets (underlying asset value less than £5,000) on a straight-line basis over the lease term.

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 PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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;
- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company; and
- 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.

Exemption from preparing group accounts

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate controlling company, Centrica plc.

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to 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 to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2 April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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.

Revenue recognition

The Company adopted IFRS 15: 'Revenue from contracts with customers' from 1 January 2018. The primary impact of application is the revision of accounting policies to reflect the five-step approach to revenue recognition required by IFRS 15. All revenue for this Company has been assessed to be within the scope of IFRS 15 and this resulted in no changes to amounts previously recognised in the financial statements.

Revenue comprises the amount of consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. It is recognised to the extent that it is probable that the Company will be able to collect consideration it will be entitled to in exchange for goods and/or services. Revenue is recognised over time as the Company generates electricity and is measured on the basis of power generated during the period.

Revenue from ancillary or support services to National Grid, such as Black Start and Capacity market revenue, is recognised by reference to completion of each performance obligation which is generally as generating capacity is made available.

Revenue is recognised on an accruals basis and is shown net of sales/value added tax, returns, rebates and discounts.

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.

Cost of Sales

Cost of sales within power generation businesses includes the depreciation of assets included in generating power, fuel purchase costs, direct labour costs and carbon emissions costs.

Overhaul costs

Contract work involved in replacing gas turbine components is capitalised and depreciated over their expected economic life, typically over the period to the next overhaul. Repairs and other costs that are not of a capital nature are charged directly to the income statement as incurred.

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.

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.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

EU Emissions Trading Schemes and renewable obligation certificates

Purchased carbon dioxide emissions allowances are recognised initially at cost (purchase price) within intangible assets. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the reporting date, with movements in the liability recognised in operating profit.

Forward contracts for the purchase or sale of carbon dioxide emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the Company's Income Statement. The intangible asset is surrendered and the liability is extinguished at the end of the compliance period to reflect the consumption of economic benefits.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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

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

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

During 2019 'Power Station assets' and 'Turbine components, other plant and machinery' have been combined into one category of asset 'Power Station assets' which are depreciated on a straight-line basis to residual value over the estimated remaining life of the asset. This reflects the asset's economic benefits being consumed on the basis of time due to the plant's income being driven by availability rather than utilisation.

Depreciation of PPE

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

Asset class	Depreciation method and rate
Power station assets	Straight line, remaining life to the end of 2023

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.

Assets held as right-of-use assets are depreciated over their expected useful lives on the same basis as for owned assets, or where shorter, the lease term.

Inventories

Inventories are valued at the lower of cost and estimated net realisable value after allowance for redundant and slow-moving items. Inventories of gas and oil are valued on an average weighted basis, at the lower of cost and net realisable value.

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.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning gas and oil production facilities at the end of the producing lives of fields, and storage facilities and power stations at the end of their useful lives, 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.

Impairment

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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. An impairment loss in respect of goodwill shall not be reversed in a subsequent period. 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 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. 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.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

- 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.

- 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, which are described in note 2, 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 the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the Directors' opinion there are no critical judgements, apart from those involving estimations (which are dealt with separately below).

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

The estimated cost of decommissioning of power stations is reviewed periodically and is based on price levels and technology at the reporting date. Provision is made for the estimated cost of decommissioning at the reporting date. The payment date of total expected future decommissioning costs are uncertain and dependent upon the lives of the facilities, assumed for 2019 statutory accounts purposes to start to be incurred in 2023.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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

Impairment of long lived assets

The recoverable amount of the Company's power generation assets is calculated by discounting the pre-tax cash flows expected to be generated by the assets and is dependent on views of forecast power generation and forecast power, gas, carbon and capacity prices (where applicable) and the timing and extent of capital expenditure. Where forward market prices are not available, prices are determined based on internal model inputs.

An impairment charge of £3,833,000 was incurred in 2018. During 2019 there have been no further indicators of impairment.

4 Revenue

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

	2019 £ 000	2018 £ 000
Short term operating reserve revenue	2,144	6,393
Capacity market revenue	1,460	1,175
Black start revenue	640	620
Other revenue	283	64
	<u>4,527</u>	<u>8,252</u>

All revenue relates to the principal activity of the business and occurs wholly in the United Kingdom.

UK Capacity Market

The UK capacity market for power was designed to encourage investment in reliable capacity to secure future supplies of electricity for the UK. To achieve this, it offered fixed monthly payments to generators who had won capacity market contracts in the auctions, funded by energy suppliers (in proportion to their share of the UK electricity supply market). On 15 November 2018, the European Court of Justice annulled the European Commission's decision not to raise objections to the state aid scheme establishing a capacity market in the UK. This had the effect of placing the UK capacity market in standstill from the start of the capacity year commencing 1 October 2018. No payments, either to generators or from suppliers, were to be made under the scheme until a new approval is received from the European Commission confirming that the scheme does not breach state aid regulations. On the 24 October 2019 the European Commission announced that it had reinstated the UK Capacity Market (CM), both retrospectively and prospectively. The Company did not recognise any capacity market generator revenue for the period October - December 2018 because the receipts could not be deemed virtually certain at the 31 December 2018 balance sheet date. Any receipts received for this period once the market was reinstated have been recognised in the income statement in 2019.

£1,460,000 was received under this arrangement in 2019 (2018: £1,175,000).

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

5 Other operating income

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

	2019 £ 000	2018 £ 000
Other income	<u>9</u>	<u>25</u>

Other income relates to scrap income received.

6 Analysis of costs by nature

	Cost of sales £ 000	2019 Operating costs £ 000	Total costs £ 000	Cost of sales £ 000	2018 Operating costs £ 000	Total costs £ 000
Operating lease expense - property	-	-	-	(631)	-	(631)
Employee costs	(1,224)	-	(1,224)	-	-	-
Depreciation	(979)	-	(979)	(681)	-	(681)
Other cost of sales	(1,288)	-	(1,288)	(4,080)	-	(4,080)
Other operating costs	-	(1,219)	(1,219)	-	(1,856)	(1,856)
Auditors remuneration	-	(8)	(8)	-	(8)	(8)
Total costs by nature	<u>(3,491)</u>	<u>(1,227)</u>	<u>(4,718)</u>	<u>(5,392)</u>	<u>(1,864)</u>	<u>(7,256)</u>

7 Employees' costs

The Company has no direct employees (2018: zero). However, central payroll costs amounting to £1,224,000 (2018: £1,518,000) were incurred through a recharge during the year in respect of an average of 15 (2018: 16) staff providing services to the Company under an employee services agreement with a Group company. Also under this agreement additional pension costs of £170,000 (2018: £280,000) have been incurred from the Group company.

8 Exceptional items

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

	2019 £ 000	2018 £ 000
Exceptional items - other	(65)	-
Exceptional items - impairment of property, plant and equipment	<u>-</u>	<u>(3,833)</u>
	<u>(65)</u>	<u>(3,833)</u>

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Exceptional items (continued)

During the year there was £65,000 worth of pension costs, which were recharged to the Company from Centrica plc, these were classed as exceptional costs in 2019.

9 Net finance income/cost

Finance income

	2019 £ 000	2018 £ 000
Interest income from amounts owed by Group undertakings	824	627
Total finance income	824	627

Finance cost

	2019 £ 000	2018 £ 000
Decommissioning provision notional interest	(32)	(24)
Interest expense on lease liabilities (2018: finance leases)	(347)	(272)
Total finance costs	(379)	(296)
Net finance income/(cost)	445	331

10 Directors' remuneration

The Directors were remunerated as employees of the 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.

11 Auditors' remuneration

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

	2019 £ 000	2018 £ 000
Audit fees	(8)	(8)

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.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Income tax

Tax credited/(charged) in the Income Statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax at 19% (2018: 19%)	385	119
Deferred taxation		
Origination and reversal of temporary differences	(423)	353
Changes in tax rates	14	(7)
Total deferred taxation	(409)	346
Taxation on (profit)/loss	(24)	465

The main rate of corporation tax for the year to 31 December 2019 was 19% (2018: 19%). The corporation tax rate was due to reduce to 17% with effect from 1 April 2020. However, at the Budget on 11 March 2020 it was announced that the rate of corporation tax will remain at 19%. The deferred tax balances provided in these financial statements reflect the enacted rate of 17%; when the Finance Bill 2020 is enacted the impact on deferred tax balances is not expected to be material.

As substantive enactment of the 19% corporation tax rate is after the balance sheet date, the deferred tax balances provided in these financial statements reflect the enacted rate of 17%. For future reporting dates after the enactment of the Finance Bill 2020, the deferred tax balances provided are expected to increase by £200,000 and will be reflected in the financial statements for the year ended 31 December 2020.

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

	2019 £ 000	2018 £ 000
Profit/(loss) before tax	198	(2,481)
Tax on loss at standard UK corporation tax rate of 19% (2018: 19%)	(38)	471
Increase (decrease) in current tax from adjustment for prior periods	-	1
Increase (decrease) arising from group relief tax reconciliation	(4)	(13)
Increase (decrease) from transfer pricing adjustments	4	13
Deferred tax expense (credit) relating to changes in tax rates or laws	14	(7)
Total tax (charge)/credit	(24)	465

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 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	Other items £000	Total £ 000
1 January 2019	1,603	506	2,109
Credited/(charged) to the Income Statement	(378)	(31)	(409)
31 December 2019	<u>1,225</u>	<u>475</u>	<u>1,700</u>

	Accelerated tax depreciation £000	Other items £000	Total £ 000
1 January 2018	1,338	425	1,763
Credited/(charged) to the Income Statement	265	81	346
31 December 2018	<u>1,603</u>	<u>506</u>	<u>2,109</u>

13 Property, plant and equipment

	Land and buildings £ 000	Power station assets £ 000	Decommissioning asset £ 000	Total £ 000
Cost				
At 1 January 2019	3,081	100,744	3,341	107,166
Right-of-use assets recognised on adoption of IFRS 16 (i)	-	5,185	-	5,185
Right-of-use asset lease reassessment	-	447	-	447
Reassessments	-	-	(212)	(212)
At 31 December 2019	<u>3,081</u>	<u>106,376</u>	<u>3,129</u>	<u>112,586</u>
Accumulated depreciation and impairment				
At 1 January 2019	(3,081)	(97,873)	(3,236)	(104,190)
Charge for the year	-	(1,086)	107	(979)
At 31 December 2019	<u>(3,081)</u>	<u>(98,959)</u>	<u>(3,129)</u>	<u>(105,169)</u>
Net book value				
At 31 December 2019	<u>-</u>	<u>7,417</u>	<u>-</u>	<u>7,417</u>
At 31 December 2018	<u>-</u>	<u>2,871</u>	<u>105</u>	<u>2,976</u>

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Property, plant and equipment (continued)

(i) 2019 reflects right-of-use assets recognised in accordance with IFRS 16. 2018 reflects assets held under leases in accordance with IAS 17 and to which title was restricted.

Impairment

The Company has material long-lived assets that are assessed or tested for indicators of impairment at each reporting date in accordance with the Company's accounting policy as disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying amounts of these assets or cash generating units are recoverable. The key operating assumptions are revenues (in particular, future capacity market, energy and reserve prices), gross margin and operating costs.

An impairment charge of £3,833,000 was incurred in 2018. During 2019 there have been no further indicators of impairment.

Assets held under leases

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under leases:

	31 December 2019 £ 000	31 December 2018 £ 000
Power station assets	4,595	-

14 Trade and other receivables

	2019 Current £ 000	2018 Current £ 000
Amounts owed by Group undertakings	10,595	17,110
Accrued energy income	2,018	1,399
Prepayments	47	48
	<u>12,660</u>	<u>18,557</u>

The amounts owed by 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 by Group undertakings disclosed above is £4,869,000 (2018: £18,046,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.20% and 4.90% per annum during 2019 (2018: 3.72% and 4.13%). The non-interest bearing balance comprises a receivable of £5,647,000 (2018: payable £936,000). These two balances were netted, resulting in a net receivable of £10,516,000 (2018: £17,110,000). All amounts owed by Group undertakings are unsecured and repayable on demand.

Also included within the amounts owed by Group undertakings is a corporation tax receivable of £306,000 (2018: £119,000).

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Inventories

	2019	2018
	£ 000	£ 000
Strategic spares and consumables	<u>1,148</u>	<u>1,114</u>

There is no significant difference between the replacement cost of inventories and their carrying amounts.

16 Loans and borrowings

	31 December 2019 £ 000	31 December 2018 £ 000
Non-current bank overdrafts, loans and borrowings		
Obligations under leases	<u>(7,793)</u>	<u>(3,658)</u>

	31 December 2019 £ 000 (i)	31 December 2018 £ 000
Current bank overdrafts, loans and borrowings		
Obligations under leases	<u>(962)</u>	<u>(344)</u>

(i) Following the adoption of IFRS 16 on 1 January 2019, the Company has recognised incremental lease liabilities within loans and borrowings. See note 1 for further details.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

16 Loans and borrowings (continued)

Leases

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2019 £ 000	31 December 2018 £ 000
Less than one year	(963)	(344)
2 years	(997)	(365)
3 years	(1,033)	(389)
4 years	(1,070)	(413)
5 years	(1,109)	(439)
6 years	(1,151)	(467)
7 years	(1,194)	(496)
8 years	(1,240)	(528)
9 years	-	(561)
Total lease liabilities (undiscounted)	<u>(8,757)</u>	<u>(4,002)</u>

17 Trade and other payables

	2019 Current £ 000	2018 Current £ 000
Trade payables	(92)	(122)
Accrued expenses	(457)	(411)
Amounts owed to Group undertakings	(1,647)	(8,162)
EU ETS emissions obligations	(118)	(139)
VAT	(50)	(106)
	<u>(2,364)</u>	<u>(8,940)</u>

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

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 interest-free, unsecured and repayable on demand.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Provisions for other liabilities and charges

	Decommissioning £ 000
At 1 January 2019	2,976
Additions and revisions	(211)
Accretion of interest	32
At 31 December 2019	<u>2,797</u>
Non-current liabilities	<u>2,797</u>

Decommissioning

The payment date of total expected future decommissioning costs are uncertain and dependent upon the lives of the facilities, assumed for 2019 statutory accounts purposes to start to be incurred in 2023.

19 Capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Share premium

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

20 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.

Centrica PB Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

21. Non adjusting events after the financial period

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore the consequences of such interventions represent non-adjusting post balance sheet events. The Company has no critical judgements or key sources of estimation uncertainty at the balance sheet date which could have been subsequently affected by these events. There have been no further non-adjusting significant events affecting the Company after the year end.