

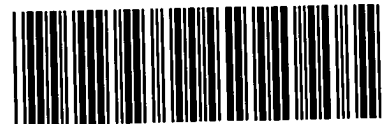
Registration number: 04713745

Centrica Distributed Generation Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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Centrica Distributed Generation Limited

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Centrica Distributed Generation Limited

Strategic Report for the Year Ended 31 December 2022

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

Principal activity

The Company owned and operated a 49MW gas reciprocating energy reserve facilities at Scawby Brook, Brigg. During the period under review, the Company principally earned revenues through Capacity Market (CM) commitments to National Grid along with Energy Trading.

The company also owns land at Roosecote where it previously operated a combined-cycle gas turbine (CCGT). This has ceased operations and has been demolished but there are still some decommissioning activities that need to be carried out. The costs are currently provided for at our best estimate of expected cost. The company leases part of this land to another group company.

In the year the Company also started the development of a new gas reciprocating energy reserve facility at the site in Brigg. Construction of this asset is due to complete in 2024.

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, 2006.

This Section 172(1) Statement describes the relevant items for the Company. The Company is a subsidiary of Centrica plc and its activities support 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

The Directors recognise that employees within the Group are fundamental to the future growth and the success of Centrica and therefore consider the interests of the Company's employees by applying the applicable Group policies.

Centrica Distributed Generation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

(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 12 to 13 of Centrica plc's Annual Report and Accounts 2022.

(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.

(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.

Further information about how the Centrica Group engages with, and considered the interests of, different key stakeholders can be found on pages 12 to 13, 37 to 38 and 66 to 71 of Centrica plc's Annual Report and Accounts 2022.

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 7, 37, 44 to 45, 56 to 59, 67 and 71 of Centrica plc's Annual Report and Accounts 2022.

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 12 to 13, 37 to 38 and 66 to 71 of Centrica plc's Annual Report and Accounts 2022.

Centrica Distributed Generation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Company strategy and review of the business

The Company's strategy is to construct new peaking power generation facilities in the UK. During the year the Directors approved the development of a second gas reciprocating asset at the Brigg site, which is currently under construction.

The operational generation asset is underpinned by 15-year capacity market contracts commencing from October 2020.

The financial position of the Company is presented in the Statement of Financial Position on page 14. Total equity as at 31 December 2022 was £18,311,000 (2021: £10,077,000). The profit for the financial year ended 31 December 2022 was £8,234,000 (2021: £3,260,000).

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 28-33 of the Group's Annual Report and Accounts 2022, which does not form part of this report.

Ukraine conflict

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

Carbon emissions and energy usage

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

Key performance indicators ('KPIs')

Given the nature of the business, the Company's Directors are of the opinion that the KPI necessary for an understanding of the development, performance and position of the Company is profit after tax.

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 26-27 of the Group's Annual Report and Accounts 2022, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 5.

Centrica Distributed Generation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Future developments

The Directors are considering the future activities of the Company, including further development opportunities at the existing Roosecote site and other locations in the UK.

Approved by the Board on 26/09/2023 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. 04713745

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

Centrica Distributed Generation Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the Company

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

M Dennis

B W V Rees

A Z Longmuir (appointed 21 March 2022 and resigned 26 June 2023)

G C McKenna (appointed 21 March 2022)

Results and dividends

The results of the Company are set out on page 12. The profit for the financial year ended 31 December 2022 is £8,234,000 (2021: profit of £3,260,000).

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

Financial Risk Management Policy

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

Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk

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

Future developments

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

Centrica Distributed Generation Limited

Directors' Report for the Year Ended 31 December 2022 (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.

Non adjusting events after the financial period

2023 Impairment

Subsequent to the balance sheet date there has been a significantly less volatile commodity price environment together with falling wholesale prices. In June 2023 this reduction represented an indicator of impairment and a review of the carrying value of the operational gas reciprocating power generation asset was carried out. As a result, it was determined that the value in use was lower than the carrying amount of the asset and an impairment of £3,580,000 was recognised in the Income Statement.

Asset Purchase

In February 2023 the Company entered into an asset purchase agreement to acquire a land lease and development rights for a gas reciprocating power generation project in Wales for a purchase price of £1,480,000.

Acquisition

In September 2023, the Company entered into an agreement to acquire 100% of the share capital of EL (SLH CM) Limited, a company incorporated in England and Wales, for headline consideration of £2,510,000. This purchase was made to acquire capacity market contracts and grid connection rights at a site in Essex.

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.

Centrica Distributed Generation Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Disclosure of information to auditors

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

Auditors

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

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



Ruth Odih

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

Company registered in England and Wales, No. 04713745

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire

SL4 5GD

United Kingdom

Centrica Distributed Generation Limited

Independent Auditors' Report to the Members of Centrica Distributed Generation Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- 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.

Centrica Distributed Generation Limited

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Centrica Distributed Generation Limited

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Centrica Distributed Generation Limited

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

D. Winstone

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

Date: 26/9/23

Centrica Distributed Generation Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	19,087	20,892
Cost of sales	5	<u>(15,080)</u>	<u>(15,558)</u>
Gross profit		4,007	5,334
Operating costs	5	(2,885)	(1,140)
Exceptional items - impairment of property, plant and equipment reversal	7	<u>9,981</u>	<u>-</u>
Operating profit		11,103	4,194
Finance income	8	43	-
Finance costs	8	<u>(9)</u>	<u>(576)</u>
Profit before taxation		11,137	3,618
Taxation	11	<u>(2,903)</u>	<u>(358)</u>
Profit for the year from continuing operations		<u>8,234</u>	<u>3,260</u>

The notes on pages 16 to 30 form an integral part of these financial statements.

Centrica Distributed Generation Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

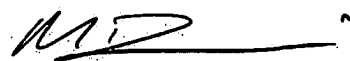
	2022	2021
	£ 000	£ 000
Profit for the year	<u>8,234</u>	<u>3,260</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>8,234</u>	<u>3,260</u>

Centrica Distributed Generation Limited

Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Property, plant and equipment	12	25,559	16,034
Intangible assets	13	<u>1,447</u>	<u>-</u>
		<u>27,006</u>	<u>16,034</u>
Current assets			
Trade and other receivables	14	4,616	11,549
Inventories	15	<u>91</u>	<u>75</u>
		<u>4,707</u>	<u>11,624</u>
Total assets		<u>31,713</u>	<u>27,658</u>
Current liabilities			
Trade and other payables	16	<u>(6,729)</u>	<u>(14,195)</u>
Net current liabilities		<u>(2,022)</u>	<u>(2,571)</u>
Total assets less current liabilities		24,984	13,463
Non-current liabilities			
Deferred tax liabilities	11	(3,375)	(472)
Provisions for other liabilities and charges	17	<u>(3,298)</u>	<u>(2,914)</u>
		<u>(6,673)</u>	<u>(3,386)</u>
Net assets		<u>18,311</u>	<u>10,077</u>
Equity			
Share capital	18	-	-
Share premium		1,569	1,569
Retained earnings		<u>16,742</u>	<u>8,508</u>
Total equity		<u>18,311</u>	<u>10,077</u>

The financial statements on pages 12 to 30 were approved and authorised for issue by the Board of Directors on 26/09/2023 and signed on its behalf by:



M Dennis
Director

Company number 04713745

Centrica Distributed Generation Limited

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

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Other equity £ 000	Total equity £ 000
At 1 January 2022	-	1,569	8,508	-	10,077
Profit for the year	-	-	8,234	-	8,234
Total comprehensive income	-	-	8,234	-	8,234
At 31 December 2022	-	1,569	16,742	-	18,311

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Other equity £ 000	Total equity £ 000
At 1 January 2021	-	1,569	5,248	10	6,827
Profit for the year	-	-	3,260	-	3,260
Total comprehensive income/(expense)	-	-	3,260	-	3,260
Share incentive plan	-	-	-	(10)	(10)
At 31 December 2021	-	1,569	8,508	-	10,077

The notes on pages 16 to 30 form an integral part of these financial statements.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

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

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

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 4.

2 Accounting policies

Basis of preparation

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

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

Changes in accounting policy

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

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

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

Summary of disclosure exemptions

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

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment 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 Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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 are prepared on the historical cost basis except for derivative financial instruments and financial instruments designated at fair value through profit and loss on initial recognition. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Going concern

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

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

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

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Revenue recognition

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 supplied during the period.

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.

Finance costs

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

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.

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.

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.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets include emissions trading schemes.

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 useful lives and are tested for impairment annually, otherwise they are 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 each financial year end. Changes in the expected useful life 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.

UK Emissions Trading Scheme

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 cost of sales. 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 Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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.

Freehold land is not depreciated. Other PP&E, with the exception of upstream production assets (for which the 'unit of production method' is used), are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives.

Depreciation of PP&E

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

Asset class	Depreciation method and rate
Decommissioning asset	Straight line, up to 25 years
Power generation assets	Straight line, up to 25 years
Buildings	Straight line, up to 25 years

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.

Inventories

Inventories are valued at the lower of cost incurred in bringing each item to its present location and condition and net realisable value. Provision is made where necessary for obsolete, slow-moving and defective inventories. Cost is determined on an average cost basis.

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.

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning 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.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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.

- 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.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

- Cash and cash equivalents

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

- Loans and other borrowings

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

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, 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 dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities. Details regarding the decommissioning provision can be found in note 17.

Impairment of long-lived assets

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 CGU's are recoverable. The key operating assumptions are revenues (in particular, future capacity market, energy and reserve prices), gross margin and operating costs.

During the year an impairment review was carried out that resulted in £9,981,000 (2021: £nil) impairment charge from prior periods being reversed.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Revenue

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

	2022 £ 000	2021 £ 000
Capacity market revenue	1,142	1,764
Energy market revenue	17,945	19,128
	<u>19,087</u>	<u>20,892</u>

UK Capacity Market

The UK capacity market for power is designed to encourage investment in reliable capacity to secure future supplies of electricity for the UK. To achieve this, it offers fixed monthly payments to generators who win capacity market contracts in the auctions, funded by energy suppliers (in proportion to their share of the UK electricity supply market).

All revenue arose from activities in the United Kingdom.

5 Analysis of costs by nature

	2022 Cost of sales £ 000	Operating costs £ 000	Total costs £ 000	2021 Cost of sales £ 000	Operating costs £ 000	Total costs £ 000
Employee costs	(528)	-	(528)	(722)	-	(722)
Depreciation	(693)	(281)	(974)	(1,107)	-	(1,107)
Realised gains/(losses)	-	1	1	4	-	4
Recharges	-	(1,902)	(1,902)	-	(658)	(658)
Facilities and property costs	-	(457)	(457)	-	(464)	(464)
Contractor, consultancy and other professional services	-	(32)	(32)	-	(18)	(18)
Other cost of sales ⁽ⁱ⁾	(13,859)	-	(13,859)	(13,733)	-	(13,733)
Other operating costs	-	(214)	(214)	-	-	-
Total costs by nature	<u>(15,080)</u>	<u>(2,885)</u>	<u>(17,965)</u>	<u>(15,558)</u>	<u>(1,140)</u>	<u>(16,698)</u>

(i) Other cost of sales is mainly transportation, distribution and metering costs including fuel gas, carbon tax and UKA certificates.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Employee costs

The Company has no direct employees (2021: zero). However, central payroll costs amounting to £448,000 (2021: £573,000) were incurred through a recharge during the year in respect of an average of 6 (2021: 9) staff providing services to the Company under an employee services agreement with a Group company. Also under this agreement additional pension costs of £80,000 (2021: £149,000) have been incurred from the Group company.

7 Exceptional items

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

	2022 £ 000	2021 £ 000
Exceptional items - impairment of property, plant and equipment reversal	9,981	-

During the year the Company reversed a prior impairment of £9,981,000 (2021: £nil), due to the gas reciprocating energy reserve assets at Brigg having a higher recoverable amount compared to when the impairment was originally recognised.

8 Net finance income/cost

Finance income

	2022 £ 000	2021 £ 000
Interest income from amounts owed by Group undertakings	43	-
Total finance income	43	-

Finance cost

	2022 £ 000	2021 £ 000
Decommissioning provision notional interest	(9)	-
Interest on amounts owed to Group undertakings	-	(576)
Total finance costs	(9)	(576)
Net finance income/(cost)	34	(576)

9 Directors' remuneration

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

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Auditors' remuneration

Costs of £13,000 (2021: £13,000) for the audit of the financial statements were borne by other Group companies.

11 Income tax

Tax credited/(charged) in the Income Statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax at 19% (2021: 19%)	-	-
Total current income tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	(2,075)	(258)
Changes in tax rates	(655)	(114)
Adjustment in respect of prior period	(173)	14
Total deferred taxation	(2,903)	(358)
Taxation on profit/(loss)	(2,903)	(358)

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

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

	2022 £ 000	2021 £ 000
Profit before tax	11,137	3,618
Tax on profit (loss) at standard UK corporation tax rate of 19% (2021: 19%)	(2,116)	(687)
Decrease in current tax from adjustment for prior periods	(173)	14
(Increase)/decrease arising from group relief tax reconciliation	34	411
Decrease from transfer pricing adjustments	7	18
Deferred tax charge relating to changes in tax rates or laws	(655)	(114)
Total tax charge	(2,903)	(358)

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 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 2022	(1,201)	729	(472)
(Charged)/credited to the Income Statement	(2,826)	96	(2,730)
Prior period adjustments	(173)	-	(173)
31 December 2022	<u>(4,200)</u>	<u>825</u>	<u>(3,375)</u>

	Accelerated tax depreciation £000	Other items £000	Total £ 000
1 January 2021	(804)	690	(114)
Credited to the Income Statement	(411)	39	(372)
Prior period adjustments	14	-	14
31 December 2021	<u>(1,201)</u>	<u>729</u>	<u>(472)</u>

The following is an analysis of the gross deferred tax balances and associated offsetting balances for financial reporting purposes:

	2022		2021	
	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Gross deferred tax balances				
crystallising after one year	<u>825</u>	<u>(4,200)</u>	<u>729</u>	<u>(1,201)</u>
	<u>825</u>	<u>(4,200)</u>	<u>729</u>	<u>(1,201)</u>

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Property, plant and equipment

	Land £ 000	Decommissioning asset £ 000	Power generation assets £ 000	Total £ 000
Cost				
At 1 January 2022	1,029	2,002	28,977	32,008
Additions	-	374	145	519
At 31 December 2022	1,029	2,376	29,122	32,527
Accumulated depreciation and impairment				
At 1 January 2022	(549)	(1,356)	(14,069)	(15,974)
Charge for the year	-	(316)	(659)	(975)
Impairment reversal	-	-	9,981	9,981
At 31 December 2022	(549)	(1,672)	(4,747)	(6,968)
Net book value				
At 31 December 2022	480	704	24,375	25,559
At 31 December 2021	480	646	14,908	16,034

13 Intangible assets

	Emission allowances £ 000	Total £ 000
Cost or valuation		
Additions	1,447	1,447
At 31 December 2022	1,447	1,447
Amortisation		
Carrying amount		
At 31 December 2022	1,447	1,447
At 31 December 2021	-	-

In 2021 the Emission allowances were held as an intangible asset in another group company and the cost was recharged when they were utilised.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Trade and other receivables

	2022 Current £ 000	2021 Current £ 000
Amounts owed by Group undertakings	-	5,908
Accrued income	4,127	5,634
VAT	32	7
Other receivables	457	-
	<u>4,616</u>	<u>11,549</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis. Included within the net amounts owed by Group undertakings disclosed above is £nil (2021: £5,999,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 0.35 and 2.72% per annum during 2022 (2021: 3.61 and 4.23%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

15 Inventories

	2022 £ 000	2021 £ 000
Strategic spares and consumables	<u>91</u>	<u>75</u>

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

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Trade and other payables

	2022 Current £ 000	2021 Current £ 000
Trade payables	(67)	(60)
Accrued expenses	(161)	(295)
Amounts owed to Group undertakings	(4,760)	(12,370)
UK ETS obligation	<u>(1,741)</u>	<u>(1,470)</u>
	<u>(6,729)</u>	<u>(14,195)</u>

The amounts owed to Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis. Included within the amounts owed to Group undertakings disclosed above is £54,000 receivable (2021: £nil) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 0.35% and 2.72% per annum during 2022 (2021: 3.61% and 4.23%). The other net amounts owed to Group undertakings are interest-free. All amounts owed to Group undertakings are unsecured and repayable on demand.

17 Provisions for other liabilities and charges

	Decommissioning £ 000
At 1 January 2022	2,914
Revision to provision on existing assets	374
Accretion of interest	<u>10</u>
At 31 December 2022	<u>3,298</u>
Non-current liabilities	<u>3,298</u>

Decommissioning

The payment dates for the total expected decommissioning costs are uncertain and are dependent on the lives of the facilities, but is currently expected to be incurred in 2043 for the reciprocating energy reserve facilities. For the Roosecote power station assets the Directors are reviewing potential use of the site, and final decommissioning will only commence once that review has concluded. Costs are currently provided for at our best estimate of the expected cost.

Centrica Distributed Generation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Capital and reserves

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

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

Retained earnings

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

Other equity

Other equity represents the share-based payments reserve which reflects the obligation to deliver shares to employees under the existing share schemes in return for services provided to the Company.

19 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.

20 Non adjusting events after the financial period

2023 Impairment

Subsequent to the balance sheet date there has been a significantly less volatile commodity price environment together with falling wholesale prices. In June 2023 this reduction represented an indicator of impairment and a review of the carrying value of the operational gas reciprocating power generation asset was carried out. As a result, it was determined that the value in use was lower than the carrying amount of the asset and an impairment of £3,580,000 was recognised in the Income Statement.

Asset Purchase

In February 2023 the Company entered into an asset purchase agreement to acquire a land lease and development rights for a gas reciprocating power generation project in Wales for a purchase price of £1,480,000.

Acquisition

In September 2023, the Company entered into an agreement to acquire 100% of the share capital of EL (SLH CM) Limited, a company incorporated in England and Wales, for headline consideration of £2,510,000. This purchase was made to acquire capacity market contracts and grid connection rights at a site in Essex.