Registration number: 04713745

Centrica Distributed Generation Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Centrica Distributed Generation Limited

Contents

Centrica Distributed Generation Limited

Strategic Report for the Year Ended 31 December 2020

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

Principal activity
The Company operates two 49MW gas reciprocating energy reserve facilities at Scawby Brook, Brigg, and Forth Drove, Peterborough. They both became operational in October 2018. During 2020, the Company principally earned revenues through selling ancillary services of Fast Reserve (FR), Balancing Mechanism (BM) and Capacity Market (CM) commitments to National Grid along with Energy Trading. The company also owns and leases land at Roosecote where it previously operated a 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 out best estimate of expected cost.

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

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

(a) The likely consequences of any decision in the long term
The Directors understand the Company's business and the evolving environment in which it operates, including the challenges of a highly competitive marketplace, regulatory intervention and climate change. The Directors recognise how our operations are viewed by different stakeholders and that some decisions they take may not align all stakeholder interests.

The Directors took decisions during 2020 that they believed would best promote Centrica's long-term success for the benefit of its stakeholders as a whole. For instance, in light of the uncertainty arising from the COVID pandemic, dividend decisions were made taking into full consideration the need to ensure the long-term sustainability of the business for its customers.

In addition, during H2 2020 the Company began exploring options for the potential divestment of the 49MW reciprocating gas engine plant at Peterborough, noting that market dynamics combined with the opportunity to divest the asset alongside a wider strategy within the Centrica Group to divest the adjacent 245MW open cycle gas turbine (OCGT) at Peterborough presented a potentially attractive opportunity to realise value for the Company. On 1 June 2021, following careful consideration of interest from the market, the Company decided to sell the 49MW reciprocating gas engine plant at Peterborough to Whitetower Holdings UK Limited, an affiliate of Rockland Capital, LP as part of a wider transaction arranged by Centrica plc through which the Company would receive fair value. The transaction completed on 31 July 2021 and, as a part of a pre-completion asset reorganisation required to facilitate the transaction, the Company has agreed to divest the 49MW reciprocating gas engine plant at Peterborough for fair value to Centrica PB Limited which is then to be acquired by Whitetower Holdings UK Limited. In connection with the same decision, the Company agreed to undertake various ancillary pre-sale restructuring of commercial contracts and associated matters in order that Centrica PB Limited be provided with the necessary rights and resources to support acquisition and onward divestment of the 49MW reciprocating gas engine plant at Peterborough.

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

(c) The need to foster the Company's business relationships with suppliers, customers and others
The Directors recognise the benefits of engaging with a broad range of stakeholders and developing and delivering our strategy depends on building and maintaining constructive relationships across them all. The Company continued to foster existing business relationships with counterparties in the markets in which it operates. For example, National Grid and Ofgem.

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

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

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

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

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

Review of the business

The new generation assets are underpinned by 15-year capacity market contracts commencing from October 2020. In June 2020, the Company recorded an impairment of £9,000,000 as the value of the assets had deteriorated since 31 December 2019. In December 2020, the Company recorded a further impairment of £12,885,000 as the value of the assets had deteriorated since June 2020. These were identified during an updated impairment test and was due to lower expected economic returns.

Subsequent to the balance sheet date, on 1 June 2021, following careful consideration of interest from the market, the Company decided to sell the 49MW reciprocating gas engine plant at Peterborough to Whitetower Holdings UK Limited, an affiliate of Rockland Capital, LP as part of a wider transaction arranged by Centrica plc through which the Company would receive fair value. The transaction completed on 31 July 2021 and, as a part of a pre-completion asset reorganisation required to facilitate the transaction, the Company has agreed to divest the 49MW reciprocating gas engine plant at Peterborough for fair value to Centrica PB Limited which is then to be acquired by Whitetower Holdings UK Limited.

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

Exit from the European Union

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

Key performance indicators ('KPIs')

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 12-13 of the Group's Annual Report and Accounts 2020, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 4.

Future developments

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

Subsequent to the balance sheet date, on 1 June 2021, the Company decided to sell the 49MW reciprocating gas engine plant at Peterborough to Whitetower Holdings UK Limited, an affiliate of Rockland Capital, LP as part of a wider transaction arranged by Centrica plc through which the Company would receive fair value.

In addition to this, the decommissioning works for the Roosecote site have been delayed and are now expected to commence in 2022, rather than 2021 as it was anticipate at year end.

Approved by the Board on 28 September 2021 and signed on its behalf by:

.... Samantha Hood

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

Company registered in England and Wales, No. 04713745

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

Centrica Distributed Generation Limited

Directors' Report for the Year Ended 31 December 2020

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

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

Alan Barlow (resigned 5 July 2021)

Michael Dennis

The following director was appointed after the year end:

Paul Lawton (appointed 23 July 2021)

Results and dividends
The results of the Company are set out on page 12. The loss for the financial year ended 31 December 2020 is £20,274,000 (2019: profit of £2,000).

The Company did not pay an interim dividend during the year (2019: £nil) and the Directors do not recommend the payment of a final dividend (2019: £nil).

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

Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk
Exposure to counterparty credit risk, liquidity risk and cash flow risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with Group undertakings.

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

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

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

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

Non adjusting events after the financial period

Subsequent to the balance sheet date, in June 2021, there was an internal restructure to move the 49MW reciprocating gas engine based at Forth Drove, Peterborough to Centrica PB Limited, for it to form part of the Centrica PB Limited sale. In addition to this, the decommissioning works for the Roosecote site have been delayed and are now expected to commence in 2022, rather than 2021 as it was anticipate at 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:

- 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 28 September 2021 and signed on its behalf by:

Samantha Hood

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

Company registered in England and Wales, No. 04713745
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of 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.

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

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

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

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

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 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.

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: 28/9/21

Centrica Distributed Generation Limited

Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	10,243	10,339
Cost of sales	5	(8,403)	(9,267)
Gross profit		1,840	1,072
Operating costs	5	(2,167)	(1,191)
Exceptional items - impairment of property, plant and equipment	7	(21,885)	-
Operating loss		(22,212)	(119)
Finance costs	8	(1,067)	(332)
Loss before taxation		(23,279)	(451)
Taxation	11	3,005	453
(Loss)/profit for the year from continuing operations		(20,274)	2

The above results were derived from continuing operations.

The notes on pages 16 to 32 form an integral part of these financial statements.

Centrica Distributed Generation Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
(Loss)/profit for the year	(20,274)	2
Items that will be or have been reclassified to the Income Statement		
Gain/(loss) on cash flow hedges (net)	210	(49)
Taxation on cash flow hedges	(31)	9
	179	(40)
Other comprehensive income	179	(40)
Total comprehensive expense for the year	(20,095)	(38)

The notes on pages 16 to 32 form an integral part of these financial statements.

Centrica Distributed Generation Limited

Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Non-current assets			
Property, plant and equipment	12	33,044	56,821
		33,044	56,821
Current assets			
Trade and other receivables	13	4,011	2,480
Inventories	14	73	69
Derivative financial instruments	18	-	2
		4,084	2,551
Total assets		37,128	59,372
Current liabilities			
Trade and other payables	15	(26,558)	(25,743)
Provisions for other liabilities and charges	16	(2,148)	-
		(28,706)	(25,743)
Net current liabilities		(24,622)	(23,192)
Total assets less current liabilities		8,422	33,629
Non-current liabilities			
Deferred tax liabilities	11	(114)	(3,089)
Provisions for other liabilities and charges	16	(1,481)	(3,501)
		(1,595)	(6,590)
Net assets		6,827	27,039
Equity			
Share capital	17	-	-
Share premium		1,569	1,569
Retained earnings		5,248	25,522
Cash flow hedging reserve		-	(62)
Other equity	17	10	10
Total equity		6,827	27,039

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on 28 September 2021 and signed on its behalf by:

....

Michael Dennis
Director

Company number 04713745

The notes on pages 16 to 32 form an integral part of these financial statements.

Centrica Distributed Generation Limited

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

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Cash flow hedge reserve £ 000	Other equity £ 000	Total equity £ 000
At 1 January 2020	-	1,569	25,522	(62)	10	27,039
Loss for the year	-	-	(20,274)	-	-	(20,274)
Other comprehensive income	-	-	-	179	-	179
Total comprehensive income	-	-	(20,274)	179	-	(20,095)
Transfers to assets and liabilities from cash flow hedge reserve	-	-	-	(117)	-	(117)
At 31 December 2020	-	1,569	5,248	-	10	6,827

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Cash flow hedge reserve £ 000	Other equity £ 000	Total equity £ 000
At 1 January 2019	-	1,569	25,520	(1)	-	27,088
Profit for the year	-	-	2	-	-	2
Other comprehensive income	-	-	-	(40)	-	(40)
Total comprehensive income	-	-	2	(40)	-	(38)
Share incentive plan	-	-	-	-	10	10
Transfers to assets and liabilities from cash flow hedge reserve	-	-	-	(21)	-	(21)
At 31 December 2019	-	1,569	25,522	(62)	10	27,039

Centrica Distributed Generation Limited

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

1 General information

Centrica Distributed Generation 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 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 International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

Changes in accounting policy
From 1 January 2020, the following standards and amendments are effective in the Company's Financial Statements:

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

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

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

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;

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

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

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. With the exception of Loadbook contract income, all revenue for the 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. Loadbook contract income is recognised under IFRS 9 'Financial Instruments'.

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.

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.

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.

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.

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

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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

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

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

- Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

- 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.

Derivative financial instruments
The Company uses a range of derivatives to hedge exposures to foreign exchange risks, arising in the normal course of business. The use of derivative financial instruments is governed by the Group's policies. Further detail on the Group's risk management policies is included within the Annual Report and Accounts 2020 of the ultimate controlling party being Centrica plc.

The accounting treatment for derivatives is dependent on whether they are entered into for trading or hedging purposes. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Company's risk management policies and is in accordance with established guidelines, which require the hedging relationship to be documented at its inception, ensure that the derivative is highly effective in achieving its objective, and require that its effectiveness can be reliably measured.

2 Accounting policies (continued)

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

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

Embedded derivatives: derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with gains or losses reported in the Income Statement. The closely-related nature of embedded derivatives is reassessed when there is a change in the terms of the contract which significantly modifies the future cash flows under the contract. Where a contract contains one or more embedded derivatives, and providing that the embedded derivative significantly modifies the cash flows under the contract, the option to fair value the entire contract may be taken and the contract will be recognised at fair value with changes in fair value recognised in the Income Statement.

Hedge accounting

For the purposes of hedge accounting, hedges are classified as either fair value hedges or cash flow hedges.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Income Statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged and any gains or losses on re-measurement are recognised immediately in the Income Statement. On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the Income Statement over the remaining life of the hedged item.

2 Accounting policies (continued)

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered above, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

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.

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

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. Further detail regarding these assumptions can be found in note S2 of the Group's Annual Report and Accounts 2020, which does not form part of this report.

During the year an impairment review was carried out that resulted in £21,885,000 impairment charge being recognised.

4 Revenue

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

	2020 £ 000	2019 £ 000
Capacity Market revenue	668	557
Loadbook contract revenue	-	1,159
External energy market trading revenue	1,935	2,134
Route to market revenue	7,640	6,489
	10,243	10,339

All turnover relates to the principal activity of the business and occurs wholly in the United Kingdom. Revenue falling outside the scope of IFRS 15 in 2020 amounted to £nil (2019: £1,159,000) and relates to Loadbook contract revenue.

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 offeres 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).

5 Analysis of costs by nature

	2020 Cost of sales £ 000	2020 Operating costs £ 000	2020 Total costs £ 000	2019 Cost of sales £ 000	2019 Operating costs £ 000	2019 Total costs £ 000
Foreign exchange gains	-	4	4	-	4	4
Employee costs	(869)	-	(869)	(794)	-	(794)
Depreciation	(2,154)	-	(2,154)	(2,310)	-	(2,310)
Impairment and write-downs	-	-	-	(1,425)	-	(1,425)
Realised gains/loss	(191)	-	(191)	(6)	-	(6)
Transportation, distribution and metering costs	(5,189)	-	(5,189)	(4,732)	-	(4,732)
Recharges	-	(1,004)	(1,004)	-	(753)	(753)
Facilities and property costs	-	(1,141)	(1,141)	-	(429)	(429)
Other operating costs	-	(24)	(24)	-	(8)	(8)
Contractor, consultancy and other professional services	-	(2)	(2)	-	(5)	(5)
Total costs by nature	(8,403)	(2,167)	(10,570)	(9,267)	(1,191)	(10,458)

6 Employees' costs

The Company has no direct employees (2019: zero). However, central payroll costs amounting to £662,000 (2019: £741,000) were incurred through a recharge during the year in respect of an average of 10 (2019: 5) staff providing services to the Company under an employee services agreement with a Group company. Also under this agreement additional pension costs of £207,000 (2019: £53,000) 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:

	2020 £ 000	2019 £ 000
Exceptional items - impairment of property, plant and equipment	(21,885)	-

During the year the Company recorded an impairment of £21,885,000 as the value of the assets had deteriorated since December 2019. This was identified during impairment testing and was due to lower expected economic returns.

8 Net finance income/cost

Finance cost

	2020 £ 000	2019 £ 000
Decommissioning provision notional interest	-	(16)
Interest on amounts owed to Group undertakings	(1,067)	(316)
Total finance costs	(1,067)	(332)
Net finance income/(cost)	(1,067)	(332)

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.

10 Auditors' remuneration

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

	2020 £ 000	2019 £ 000
Audit fees	(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.

11 Income tax

Tax credited/(charged) in the Income Statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax at 19% (2019: 19%)	-	827
Deferred taxation		
Origination and reversal of temporary differences	3,372	(741)
Changes in tax rates	(367)	367
Total deferred taxation	3,005	(374)
Taxation on loss	3,005	453

The main rate of corporation tax for the year to 31 December 2020 was 19% (2019: 19%). The Budget on 3 March 2021 announced that the rate of corporation will increase to 25% with effect from 1 April 2023. The deferred tax balances provided in these financial statements reflect the enacted rate of 19%, when the Finance Bill 2021 is enacted the impact on deferred tax balances is not expected to be material.

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

	2020 £ 000	2019 £ 000
Loss before tax	(23,279)	(451)
Tax on loss at standard UK corporation tax rate of 19% (2019: 19%)	4,423	86
Decrease from effect of expenses not deductible in determining taxable loss	(1)	-
Decrease arising from group relief tax reconciliation	(1,059)	(266)
Increase from transfer pricing adjustments	9	266
Deferred tax (credit)/expense relating to changes in tax rates or laws	(367)	367
Total tax credit	3,005	453

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	Revaluation of cash-flow hedges £000	Other items £000	Total £ 000
1 January 2020	(3,715)	30	596	(3,089)
Charged to the Income Statement	2,911	-	94	3,005
Credited to other comprehensive income	-	(30)	-	(30)
31 December 2020	(804)	-	690	(114)

	Accelerated tax depreciation £000	Revaluation of cash-flow hedges £000	Other items £000	Total £ 000
1 January 2019	(3,137)	21	392	(2,724)
Charged/(credited) to the Income Statement	(578)	-	204	(374)
Charged to other comprehensive income	-	9	-	9
31 December 2019	(3,715)	30	596	(3,089)

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

	2020		2019	
	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Gross deferred tax balances crystallising within one year	-	-	31	-
Gross deferred tax balances crystallising after one year	690	(804)	595	(3,715)
	690	(804)	626	(3,715)

12 Property, plant and equipment

	Land £ 000	Decommissioning asset £ 000	Power generation assets £ 000	Total £ 000
Cost				
At 1 January 2020	1,029	2,754	57,919	61,702
Additions	-	128	134	262
At 31 December 2020	1,029	2,882	58,053	61,964
Accumulated depreciation and impairment				
At 1 January 2020	(549)	(1,491)	(2,841)	(4,881)
Charge for the year	-	(73)	(2,081)	(2,154)
Impairment	-	-	(21,885)	(21,885)
At 31 December 2020	(549)	(1,564)	(26,807)	(28,920)
Net book value				
At 31 December 2020	480	1,318	31,246	33,044
At 31 December 2019	480	1,263	55,078	56,821

13 Trade and other receivables

	2020 Current £ 000	2019 Current £ 000
Accrued energy income	3,565	1,781
Accrued income	441	647
Prepayments	-	52
VAT	5	-
	4,011	2,480

14 Inventories

	2020 £ 000	2019 £ 000
Strategic spares and consumables	73	69

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

15 Trade and other payables

	2020	2019
	Current £ 000	Current £ 000
Trade payables	(58)	(58)
Accrued expenses	(1,481)	(1,754)
Amounts owed to Group undertakings	(23,952)	(23,180)
EU ETS obligation	(1,067)	(710)
VAT	-	(41)
	(26,558)	(25,743)

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 are a payable of £21,897,000 (2019: £24,073,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.42% and 4.73% per annum during 2020 (2019: 4.20% and 4.90%). The other net amounts owed to Group undertakings are interest-free. All amounts owed to Group undertakings are unsecured and repayable on demand.

Also included within the amounts owed by Group undertakings is a corporation tax receivable of £1,089,000 (2019: £1,089,000).

16 Provisions for other liabilities and charges

	Decommissioning £ 000
At 1 January 2020	3,501
Revision to provision on existing assets	128
At 31 December 2020	3,629
Non-current liabilities	1,481
Current liabilities	2,148

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 DG plants and in 2021 for the remaining works at the Roosecote site.

17 Capital and reserves

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	2	2	2	2

Cash flow hedge reserve
The cash flow hedging reserve comprises fair value movements on instruments designated as cash flow hedges under the requirements of IFRS 9. Amounts are transferred from the cash flow hedging reserve to the Income Statement or the Statement of Financial Position as and when the hedged item affects the Income Statement or the Statement of Financial Position which is, for the most part, on receipt or payment of amounts denominated in foreign currencies.

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.

18 Fair value of financial instruments

The Company entered into forward contracts to economically hedge its foreign exchange exposure on payments made to foreign suppliers required on the construction projects. The derivatives fair value are recognised in the financial statements. This forward contract ended in July 2020.

Determination of fair values
The Company's policy for the classification and valuation of financial instruments is disclosed in the accounting policies section of these financial statements. The fair value hierarchy levels are determined in accordance with IFRS 13 and are consistent with those used by its ultimate controlling party being Centrica plc. Further information on the matter including valuation techniques to derive Level 2 and Level 3 fair values is provided in its Annual Report and Accounts 2020.

18 Fair value of financial instruments (continued)

Financial instruments carried at fair value

	31 December 2020		*31 December 2019*	
	Fair value and carrying value £ 000	**Level 2 £ 000**	**Fair value and carrying value £ 000**	**Level 2 £ 000**
Foreign exchange derivatives	-	-	2.0	2.0
Total financial assets at fair value through profit or loss	-	-	2.0	2.0
Net financial instruments at fair value	-	-	2.0	2.0

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

Subsequent to the balance sheet date, on 1 June 2021, following careful consideration of interest from the market, the Company decided to sell the 49MW reciprocating gas engine plant at Peterborough to Whitetower Holdings UK Limited, an affiliate of Rockland Capital, LP as part of a wider transaction arranged by Centrica plc through which the Company would receive fair value. The transaction completed on 31 July 2021 and, as a part of a pre-completion asset reorganisation required to facilitate the transaction, the Company has agreed to divest the 49MW reciprocating gas engine plant at Peterborough for fair value to Centrica PB Limited which is then to be acquired by Whitetower Holdings UK Limited.

In addition to this, the decommissioning works for the Roosecote site have been delayed and are now expected to commence in 2022, rather than 2021 as it was anticipate at year end.