

Registration number: 04815511

# Centrica Barry Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

TUESDAY



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18/09/2018  
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## **Centrica Barry Limited**

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## **Centrica Barry Limited**

### **Strategic Report for the Year Ended 31 December 2017**

The Directors present their Strategic Report for Centrica Barry Limited ('the Company') for the year ended 31 December 2017.

#### **Review of the business and principal activities**

The Company operates a 235MW gas-fired combined cycle gas turbine generating station in Wales ('Barry power station'). Primary sources of revenue for the Company during the year were through selling ancillary services and capacity commitments to National Grid. Short-Term Operating Reserve (STOR) contract with National Grid which had been secured in October 2016 was effective throughout the year. STOR contract stipulates that it can be called on at short notice to balance the network. In addition, the Company successfully obtained a capacity market agreement for the 2017/18 year starting from October 2017. STOR and capacity market contracts will remain in place until March 2019 and September 2018 respectively.

#### **Capacity Tolling Arrangement**

The Company is responsible for the safe and reliable operation of the Barry power station. The Company utilises the expertise within the wider Centrica plc group to optimise the value of the station through its trading operation. Accordingly, the Company has a capacity tolling arrangement with British Gas Trading Limited ('BGTL' - a fellow subsidiary of Centrica plc) to provide a route to market and facilitate this optimisation. The agreement requires the Company to make generating capacity available to BGTL, where not already committed under a Supplemental Balance Reserve (SBR) or STOR agreement, and subsequently to deliver electricity in accordance with BGTL's nominations. BGTL must provide the gas for generation. Capacity market revenue from capacity market agreements will be retained by the Company. This arrangement is not considered a lease and income under the contract is recognised as earned.

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 52 - 62 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

#### **Exit from the European Union**

The UK referendum vote in June 2016 to leave 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. Many details of the implementation process continue to remain unclear. 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 KPI's to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 30-31 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

## Centrica Barry Limited

### Strategic Report for the Year Ended 31 December 2017 (continued)

#### Future developments

The Company requires a combination of STOR revenues and capacity market income to cover its cost base. In February 2018, the Company failed to secure capacity market agreements for T-1 (2018/19) and T-4 (2021/22) as well as an extension to its STOR contract beyond March 2019. This has presented a challenge for the long-term economic viability of the business.

Following the key revenue contract losses, a thorough review has been carried out to analyse potential options for the site to remain in operation. After careful consideration Centrica announced on 27th February 2018 that Barry power station will be placed on a pathway to closure. It is expected that Barry power station will close after the current STOR contract terminates in March 2019.

The Directors are considering the future activities of the Company in light of the strategic review including opportunities for future investments.

Approved by the Board on ~~12 SEPTEMBER 2018~~ and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Samantha Huel', is written over a line.

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

Company registered in England and Wales, No. 04815511  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Barry Limited**

### **Directors' Report for the Year Ended 31 December 2017**

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

#### **Directors of the Company**

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

Richard McCord

Mark Futyan

Mark Taylor (resigned 30 April 2018)

#### **Results and dividends**

The results of the Company are set out on page 9. The loss for the financial year ended 31 December 2017 is £1,150,000 (2016: loss £1,470,000). No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2016: £Nil).

#### **Objectives and policies**

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business:

- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Credit risk is predominantly limited to exposures with other Group undertakings.
- 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.

The Company did not take part in hedging of any kind (2016: £Nil). The Company would hedge foreign currency risk if the need arose.

#### **Future developments**

Future developments are discussed in the Strategic Report on page 2.

#### **Going concern**

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue.

#### **Events after the reporting period**

Events after the reporting period are detailed in note 20 of the financial statements.

#### **Directors' and officers' liabilities**

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.

## **Centrica Barry Limited**

### **Directors' Report for the Year Ended 31 December 2017 (continued)**

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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 the 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.

#### **Auditors**

Following a rigorous selection process by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing from 1 January 2017. Consequently, PricewaterhouseCoopers LLP ('PwC') ceased to hold office as auditor of the Company in 2017. Pursuant to Section 519 of the Companies Act 2006, PwC has confirmed that there are no circumstances in connection with their ceasing to hold office that need to be brought to the attention of the members or creditors of the Company.

Following the resignation of PwC as auditors of the Company and, pursuant to Section 487 of the Companies Act 2006, Deloitte LLP were appointed as auditors of the Company.

**Centrica Barry Limited**

**Directors' Report for the Year Ended 31 December 2017 (continued)**

**Statement of Directors' Responsibilities (continued)**

Approved by the Board on <sup>12/9/18</sup> 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. 04815511  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Barry Limited**

### **Independent Auditors' Report to the Members of Centrica Barry Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Centrica Barry Limited (the 'company') 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 FRS 101 (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 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 related to going concern**

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

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

We have nothing to report in respect of these matters.

##### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



## **Centrica Barry Limited**

### **Independent Auditors' Report to the Members of Centrica Barry Limited (continued)**

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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.

#### **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.

## Centrica Barry Limited

### Independent Auditors' Report to the Members of Centrica Barry Limited (continued)

#### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:  
adequate accounting records have not been kept, or returns adequate for our audit have not been received from  
branches not visited by us; or  
the financial statements are not in agreement with the accounting records and returns; or  
certain disclosures of Directors' Remuneration specified by law are not made; or  
we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters



Anthony Matthews FCA  
For and on behalf of Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ  
United Kingdom

Date: 13<sup>th</sup> Sep 18

## Centrica Barry Limited

### Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Revenue	4	5,323	3,395
Cost of sales	5	<u>(5,309)</u>	<u>(4,887)</u>
Gross profit/(loss)		<u>14</u>	<u>(1,492)</u>
Operating costs before exceptional items	5	(1,714)	(2,473)
Exceptional items - rates rebate	7	<u>-</u>	<u>1,530</u>
Operating costs		(1,714)	(943)
Other income	8	<u>3</u>	<u>6</u>
Operating loss		<u>(1,697)</u>	<u>(2,429)</u>
Finance income	9	283	327
Finance cost	9	<u>(23)</u>	<u>(35)</u>
Net finance income		<u>260</u>	<u>292</u>
Loss before income taxation		(1,437)	(2,137)
Income tax credit	13	<u>287</u>	<u>667</u>
Loss for the year		<u><u>(1,150)</u></u>	<u><u>(1,470)</u></u>


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

# Centrica Barry Limited

## Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	12	567	567
Deferred tax assets	13	956	1,035
		<u>1,523</u>	<u>1,602</u>
<b>Current assets</b>			
Trade and other receivables	14	9,746	10,973
		<u>9,746</u>	<u>10,973</u>
<b>Total assets</b>		11,269	12,575
<b>Current liabilities</b>			
Trade and other payables	15	(640)	(950)
Borrowings		(1)	(138)
		<u>(641)</u>	<u>(1,088)</u>
Current assets/(liabilities)		<u>9,105</u>	<u>9,885</u>
<b>Non-current liabilities</b>			
Provisions for liabilities	16	(2,173)	(1,882)
<b>Total liabilities</b>		<u>(2,814)</u>	<u>(2,970)</u>
<b>Net assets</b>		<u>8,455</u>	<u>9,605</u>
<b>Equity</b>			
Called up share capital	17	-	-
Share premium account		2,443	2,443
Retained earnings		<u>6,012</u>	<u>7,162</u>
<b>Total equity</b>		<u>8,455</u>	<u>9,605</u>

The financial statements on pages 9 to 26 were approved and authorised for issue by the Board of Directors on 12 September 2018 and signed on its behalf by:



Richard McCord

Director

Company number 04815511

## Centrica Barry Limited

### Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2017	-	2,443	7,162	9,605
Loss for the financial year	-	-	(1,150)	(1,150)
Total comprehensive loss	-	-	(1,150)	(1,150)
At 31 December 2017	-	2,443	6,012	8,455

	Called up share capital	Share premium account	Retained earnings	Total equity
	£ 000	£ 000	£ 000	£ 000
At 1 January 2016	-	2,443	8,632	11,075
Loss for the financial year	-	-	(1,470)	(1,470)
Total comprehensive loss	-	-	(1,470)	(1,470)
At 31 December 2016	-	2,443	7,162	9,605

The notes on pages 12 to 26 form an integral part of these financial statements.

# **Centrica Barry Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2017**

### **1 General information**

Centrica Barry Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

The 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 2.

### **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.

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

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

## **Centrica Barry Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

As the consolidated financial statements of 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 IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value;
- disclosures of the net cash-flows attributable to the operating, investing and financing activities of discontinued operations.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis and are presented in pound sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company. Operations and transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

#### **Going concern**

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised.

#### **Summary of significant accounting policies and key accounting estimates**

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

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is recognised on the basis of power supplied during the period. Power purchases and sales entered into to optimise the performance of power generation facilities are presented net within revenue.

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

The Company is a lessor for certain lease contracts that contain both fixed and variable cash flows. The fixed income generated from operating leases is accounted for on a straight line basis whereas the variable income element is recognised on an accruals basis because this is deemed to be the most relevant method to account due to the nature of the income stream.

#### **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 the power generation business includes the depreciation of assets included in generating power, fuel purchase costs, direct labour costs and carbon emissions costs.

## **Centrica Barry Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

##### **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset or assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases

Payments under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

##### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing 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 the Income Statement, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

##### **Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.



## **Centrica Barry Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

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 or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

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

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

#### **EU Emissions Trading Schemes and renewable obligation certificates**

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

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

Any recycling benefit related to the submission of renewable obligation certificates is recognised in the Company's Income Statement when received.

#### **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 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.

## Centrica Barry Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 2 Accounting policies (continued)

##### Depreciation of PPE

Depreciation is charged as follows:

Asset classes	Depreciation method and rate
Power station assets and decommissioning asset	Straight line, up to 20 years
Turbine components, other plant and equipment	Straight line, between 3 and 6 years

For gas turbine components depreciation is provided to write off the cost of the assets over their operating lives on an equivalent hours basis.

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 and estimated net realisable value after allowance for redundant and slow-moving items.

##### 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 of non-financial assets

The carrying amounts of the Company's non-financial assets, other than 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.

The recoverable amount of an asset or cash-generating unit 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.

## **Centrica Barry Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

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 the Income Statement. 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.

#### **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 amounts due from customers for merchandise sold or services performed in the ordinary course of business.

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 (although in practice the discounting is often immaterial) less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company may not be able to collect the trade receivable. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not, they are presented as non-current assets.

#### **Trade and other payables**

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

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

#### **Share capital**

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

#### **Cash and cash equivalents**

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

## **Centrica Barry Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **Loans and other borrowings**

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

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, 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 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, but are currently anticipated to be incurred in 2019.

## Centrica Barry Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 4 Revenue

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

	2017 £ 000	2016 £ 000
Power station tolling and other income	-	5
STOR and SBR revenue	4,955	3,390
Capacity Market Revenue	368	-
	<u>5,323</u>	<u>3,395</u>

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

Included within the above are rentals receivable under operating leases in relation to SBR and STOR agreements amounting to £4,955,000 (2016: £3,390,000) of which £618,000 (2016: £457,000) were contingent rentals in relation to utilisation fees under these agreements. Additionally, included within the above are amounts receivable under an internal Group capacity tolling arrangement. The original arrangement expired on 31 December 2015 and had been assessed as an operating lease. The replacement agreement in the current year has been assessed as not being an operating lease. Included in the above are rentals receivable under operating leases in relation to this arrangement of £nil (2016: £nil).

#### Capacity Tolling Arrangement

The Company is responsible for the safe and reliable operation of the Barry power station. The Company utilises the expertise within the wider Centrica plc group to optimise the value of the station through its trading operation. Accordingly, the Company has a capacity tolling arrangement with British Gas Trading Limited ("BGTL" - a fellow subsidiary of Centrica Plc) to provide a route to market and facilitate this optimisation. The agreement requires the Company to make generating capacity available to BGTL, where not already committed under a SBR or STOR agreement, and subsequently to deliver electricity in accordance with BGTL's nominations. BGTL must provide the gas for generation. Capacity market revenue from capacity market agreements will be retained by the Company. This arrangement is not considered a lease and income under the contract is recognised as earned.

## Centrica Barry Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 5 Analysis of costs by nature

	Cost of sales £ 000	2017 Other operating costs £ 000	Total costs £ 000	Cost of sales £ 000	2016 Other operating costs £ 000	Total costs £ 000
Other operating expenses	-	1,714	1,714	-	2,473	2,473
Other cost of sales	5,309	-	5,309	4,887	-	4,887
<b>Total operating costs by nature</b>	<b>5,309</b>	<b>1,714</b>	<b>7,023</b>	<b>4,887</b>	<b>2,473</b>	<b>7,360</b>

#### 6 Employees' costs

The Company has no direct employees (2016: zero). However, central payroll costs amounting to £1,290,000 (2016: £1,189,000) were incurred through a recharge during the year in respect of an average of 19 (2016: 17) staff providing services to Centrica Barry Limited under an employee services agreement with a Group company. Also under this agreement additional pension costs of £209,000 (2016: £204,000) have been incurred from the Group company.

#### 7 Exceptional items

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

	2017 £ 000	2016 £ 000
Rates rebate	-	1,530

##### Rates rebate

Following a settlement with the rates office, the Company received a rates rebate of £1,473,000 in 2017 which it had accrued in 2016.

#### 8 Other income

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

	2017 £ 000	2016 £ 000
Miscellaneous other income	3	6

#### 9 Net finance income

##### Finance income

	2017 £ 000	2016 £ 000
Interest income from amounts owed by Group undertakings	283	327

## Centrica Barry Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 9 Net finance income (continued)

##### Finance Cost

	2017 £ 000	2016 £ 000
Unwind of discount on decommissioning provisions	(23)	(35)
<b>Net finance income</b>	<b>260</b>	<b>292</b>

#### 10 Directors' remuneration

The aggregate emoluments paid to Directors in respect of their qualifying services were £144,592 (2016: £92,768) and the aggregate value of Company contributions paid to a pension scheme in respect of Directors' qualifying services were £13,025 (2016: 11,950).

There was one Director (2016: two) to whom retirement benefits are accruing under a defined benefit pension scheme. There were two Directors (2016: two) to whom retirement benefits are accruing under money purchase pension schemes. Two Directors (2016: two) received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme. All of these costs were borne by other Group companies.

#### 11 Auditors' remuneration

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

	2017 £ 000	2016 £ 000
Audit fees	8	20

Auditors' remuneration relates to fees for the audit of the financial statements of the Company. The prior year audit fee includes both the fee for the statutory audit of the financial statements and an allocation of the audit fee for the Group's consolidated financial statements.

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 statements of its ultimate parent, Centrica plc.

# Centrica Barry Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 12 Property, plant and equipment

	Decommissioning asset	Power station assets	Turbines, plant and equipment	Total
	£ 000	£ 000	£ 000	£ 000
<b>Cost</b>				
At 1 January 2017	1,557	39,618	14,127	55,302
At 31 December 2017	1,557	39,618	14,127	55,302
<b>Accumulated depreciation</b>				
At 1 January 2017	1,557	39,051	14,127	54,735
At 31 December 2017	1,557	39,051	14,127	54,735
<b>Net Book Value</b>				
At 1 January 2017	-	567	-	567
At 31 December 2017	-	567	-	567

Included in Power station assets is land at a cost of £567,000 which is not depreciated.

### 13 Income tax

Tax (credited)/charged in the Income Statement

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
UK corporation tax at 19.25% (2016: 20%)	(366)	(555)
<b>Deferred taxation</b>		
Changes in tax rates and laws	(10)	80
Origination and reversal of timing differences	89	(192)
Total deferred taxation	79	(112)
Tax on profit/(loss)	(287)	(667)

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



## Centrica Barry Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 13 Income tax (continued)

The main rate of corporation tax for the year to 31 December 2017 was 19.25% (2016: 20%). The corporation tax rate will reduce to 17% with effect from 1 April 2020 following the enactment of Finance Act 2016. The deferred tax assets and liabilities included in these financial statements are based on the reduced rate of 17% having regard to their reversal profiles.

	2017 £ 000	2016 £ 000
Loss before income tax	<u>(1,437)</u>	<u>(2,137)</u>
Tax on loss at standard UK rate 19.25% (2016: 20%)	(277)	(427)
<i>Effects of:</i>		
Deferred tax credit from unrecognised temporary difference from a prior period	-	(320)
Decrease arising from group relief tax reconciliation	(5)	(5)
Increase from transfer pricing adjustments	5	5
Deferred tax expense relating to changes in tax rates or laws	<u>(10)</u>	<u>80</u>
Total current tax	<u>(287)</u>	<u>(667)</u>

## Centrica Barry Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 13 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:

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	<u>1,035</u>	<u>(79)</u>	<u>956</u>

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	<u>923</u>	<u>112</u>	<u>1,035</u>

Certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is an analysis of the gross deferred tax balances and associated offsetting balances for financial reporting purposes:

	31 December 2017 Assets £ 000	31 December 2016 Assets £ 000
Gross deferred tax balances crystallising after one year	<u>956</u>	<u>1,035</u>
Net deferred tax balances (after offsetting for financial reporting purposes)	<u>956</u>	<u>1,035</u>

#### 14 Trade and other receivables

	2017 Current £ 000	2016 Current £ 000
Amounts owed by Group undertakings	8,516	8,398
Prepayments	103	164
Other receivables	<u>1,127</u>	<u>2,411</u>
	<u>9,746</u>	<u>10,973</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the amounts owed by Group undertakings disclosed above is £8,681,000 (2016: £8,384,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.66 and 3.86% per annum during 2017 (2016: 3.04 and 4.04%). Also included in the amounts owed to Group undertakings is a payable of £532,000 (2016: £8,756,000) which is interest free. The net amounts owed by Group undertakings are unsecured and repayable on demand

# Centrica Barry Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 15 Trade and other payables

	2017 Current £ 000	2016 Current £ 000
Trade payables	210	297
Accrued expenses	188	622
Amounts owed to Group undertakings	156	12
Value Added Tax	44	6
EU ETS emissions obligation	42	13
	<u>640</u>	<u>950</u>

All amounts owed to Group undertakings are unsecured and repayable on demand.

### 16 Provisions for liabilities

	Decommissioning £ 000
At 1 January 2017	1,882
Accretion of interest	23
Additions and revisions	<u>268</u>
At 31 December 2017	<u>2,173</u>

#### Decommissioning provision

The payment dates of total expected future decommissioning costs is currently anticipated to be incurred in 2019. The decommissioning costs represent an independent valuer's (Parsons Brinckerhoff's) best estimate.

### 17 Called up share capital

#### Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

### 18 Commitments and contingencies

#### Leases as lessee

At 31 December 2017 the Company had annual commitments under non-cancellable operating leases with the following maturity:

## Centrica Barry Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 18 Commitments and contingencies (continued)

	2017 £ 000	2016 £ 000
Within one year	11	-
In two to five years	-	11
	<u>11</u>	<u>11</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year as cost of sales was £11,000 (2016: £11,000).

#### Leases as lessor

The Company receives STOR revenue which, as discussed in Note 4, constitutes rental income under operating leases. This income is recognised as earned.

Total future minimum lease payments under non-cancellable operating leases expected to be received within one year is £3,553,000 (2016: £4,605,000) and expected to be received more than one year but not later than five years is £861,000 (2016: £1,175,000).

#### 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 and controlling party 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](http://www.centrica.com).

#### 20 Events after the financial period

There were no significant events after the reporting period.