Registered number: 05283117

Caythorpe Gas Storage Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Caythorpe Gas Storage Limited
Annual Report and Financial Statements
Contents

Caythorpe Gas Storage Limited
Company Information

Directors

G C McKenna
M R Scargill
T R Thomsen

Secretary
Centrica Secretaries Limited

Independent auditor
Deloitte LLP
Union Plaza
1 Union Wynd
Aberdeen
United Kingdom
AB10 1SL

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

Registered number
05283117

Caythorpe Gas Storage Limited
Directors' Report for the year ended 31 December 2019

The Directors present their report and the audited financial statements of Caythorpe Gas Storage Limited ('the Company') for the year ended 31 December 2019.

Directors
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:

G C McKenna	
D Oliver	(Resigned 31 July 2020)
M R Scargill	(Appointed 1 August 2020)
T R Thomsen	

Principal activities
The Company previously held assets for the potential development of a gas storage facility at the Caythorpe site. In 2013 the Company decided not to proceed with the Caythorpe Gas Storage Project, due to continuing challenging market conditions for storage projects. As a result, in 2013, the full carrying value of these projects was impaired and a full provision made for related commitments and onerous contracts.

Due to unfavourable market conditions, a final investment decision has been reached and the project has been deemed unviable. The project has moved into its decommissioning phase with the Directors initiating a programme of decommissioning, which has continued during 2019 and is due to be substantially completed in 2020. The previously held assets have been fully disposed of during 2019.

Results and dividends
The results of the Company are set out on page 10.

The loss for the financial year ended 31 December 2019 is £1,802,000 (2018: £30,000).

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2018: £nil).

Financial position
The financial position of the Company is presented in the Statement of Financial Position on page 11. The shareholders' deficit at 31 December 2019 was £31,077,000 (31 December 2018: £33,829,000).

Review of business
The Company meets the requirements of a small entity under part 15 of the Companies Act 2006 Section 415A and therefore the Company has taken the exemption from disclosing further information in line with the business review and strategic report requirements.

Future developments
A final investment decision was reached and the project has been deemed unviable. The project has moved into its decommissioning phase with the Directors initiating a programme of decommissioning, which has continued during 2019. Following completion of well plug and abandonment, the site abandonment is ongoing and the decommissioning programme is expected to be substantially completed during 2020.

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

Key performance indicators (KPIs)
Given the nature of the business, the Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business given that the development has moved into the decommissioning phase.

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 18-19 of the Group's Annual Report and Accounts 2019, which does not form part of this report.

Financial risk management
The Company's objectives and policies for managing financial risks are regularly reviewed along with the Centrica Storage Holdings Limited Group.

The Directors have established objectives and policies for managing financial risks, to enable the Centrica Storage Holdings Limited Group to achieve long-term shareholder value growth within a prudent risk management framework. These objectives and policies are regularly reviewed.

Impact of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) outbreak and coronavirus disease (COVID-19) pandemic
On 11 March 2020, the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. Following United Kingdom government measures in response to the pandemic the Centrica plc group ("Group") became subject to a significant change in business environment, as well as implementing a number of significant operational changes in order to be able to continue to serve and support our customers. However, there are no significant changes in the business environment or operational changes specific to the Company in carrying out its principal activities, given that the business has moved into its decommissioning phase.

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

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises.

The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

Non-adjusting events after the financial period

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

Exit from the European Union

The UK's exit from the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. It is unclear whether a trade deal will be agreed with the European Union during 2020 or the transition period will end without terms being agreed. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

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 Directors are proved to have acted fraudulently.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the 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 United Kingdom 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 the Directors to ensure that the financial statements comply with the Companies Act 2006. The Directors 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 auditor
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 auditor is unaware, and that they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Approved by the Board on 22 September 2020 and signed on its behalf by:

Helen Ashmore

Helen Ashmore
By order of the board for and on behalf of Centrica Secretaries Limited
Company Secretary
22 September 2020

Company registered in England and Wales. No. 05283117

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

Caythorpe Gas Storage Limited
Independent Auditor's Report to the member of Caythorpe Gas Storage Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Caythorpe Gas Storage Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its 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 financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in 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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

Independent Auditor's Report to the member of Caythorpe Gas Storage 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Graham Hollis ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Union Plaza
1 Union Wynd
Aberdeen
United Kingdom
AB10 1SL

22 September 2020

Caythorpe Gas Storage Limited
Income Statement
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Other income	4	-	79
Operating costs	5	(1,799)	(60)
Operating (loss)/profit		(1,799)	19
Finance cost	7	(3)	(49)
Loss before tax		(1,802)	(30)
Tax charge	9	-	-
Loss for the year		(1,802)	(30)

The above results were derived from continuing operations.

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

The notes on pages 13 to 25 form an integral part of these financial statements.

Caythorpe Gas Storage Limited
Statement of Financial Position
as at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	10	-	-
		-	-
Current assets			
Cash and cash equivalents		-	48
		-	**48**
Total assets		-	**48**
Current liabilities			
Trade and other payables	11	(29,930)	(29,775)
Provisions for other liabilities and charges	12	(1,147)	(3,991)
		(31,077)	**(33,766)**
Net current liabilities		**(31,077)**	**(33,718)**
Total assets less current liabilities		**(31,077)**	**(33,718)**
Non-current liabilities			
Provisions for other liabilities and charges	12	-	(111)
		-	**(111)**
Total liabilities		**(31,077)**	**(33,877)**
Net liabilities		**(31,077)**	**(33,829)**
Equity			
Share capital	13	-	-
Capital contribution reserve	13	4,554	-
Retained losses	13	(35,631)	(33,829)
Total shareholder's deficit		**(31,077)**	**(33,829)**

The financial statements on pages 10 to 25 were approved and authorised for issue by the Directors on 22 September 2020 and were signed on its behalf by:

G C McKenna
Director
22 September 2020

The Company's Registered number is 05283117.

The notes on pages 13 to 25 form an integral part of these financial statements.

Caythorpe Gas Storage Limited
Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Capital contribution reserve £000	Retained losses £000	Total £000
At 1 January 2019	-	-	(33,829)	(33,829)
Loss for the year	-	-	(1,802)	(1,802)
Capital contributions received	-	4,554	-	4,554
Total comprehensive income	-	4,554	(1,802)	2,752
At 31 December 2019	-	4,554	(35,631)	(31,077)

	Share capital £000	Capital contribution reserve £000	Retained losses £000	Total £000
At 1 January 2018	-	-	(33,799)	(33,799)
Loss for the year	-	-	(30)	(30)
Total comprehensive loss	-	-	(30)	(30)
At 31 December 2018	-	-	(33,829)	(33,829)

The notes on pages 13 to 25 form an integral part of these financial statements.

1 General information

Caythorpe Gas Storage 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 Woodland House, Woodland Park, Hessle, United Kingdom, HU13 0FA.

The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 2 to 6.

These financial statements were authorised for issue by the Board on 22 September 2020.

2 Principal accounting policies

Basis of preparation

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

Changes in accounting policy

From 1 January 2019, the following amendments are effective in the Company's financial statements. Their first time adoption did not have a material impact on the financial statements:

• IFRS 16: 'Leases'

The impact of adoption of this standard and the key changes to the accounting policy are disclosed below.

Changes resulting from adoption of IFRS 16

IFRS 16: 'Leases'

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

The Company utilised the recognition exemptions for both short-term leases applicable to property assets that have a lease term of 12 months or less. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

2 Principal accounting policies (continued)

The Company has also applied wherever applicable the following transition allowances:

• application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
• reliance on previous assessment of whether leases are onerous in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Asset's immediately before the date of initial application as an alternative to performing an impairment review;
• election not to apply the measurement requirements of the standard to leases where the term ends within 12 months of the date of initial application;
• exclusion of initial direct costs from the measurement of the Right-of-use asset at the date of initial application.

On transition, the Company measured lease liabilities for leases previously assessed as operating at the present value of the remaining lease payments and elected to measure the associated Right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and onerous contract provisions previously held in line with the transition rules.

Application resulted in the recognition of Right-of-use assets and total lease liabilities on 1 January 2019 of £141,000.

Right-of-use assets are presented in Property, plant and equipment on the Balance Sheet. Lease liabilities are included in Current and Non-current Borrowings.

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

	Note	£000
Operating lease commitment at 31 December 2018		-
Recognition of finance lease liability on adoption of IFRS 16	12	141
IFRS 16 lease liability at 1 January 2019		141

The weighted average incremental borrowing rate used by the Company for IFRS 16 is 1.2%.

The lease liability recognised on transition compares as follows to the Right-of-use assets:

	£000
Lease liability recognised at inception on 1 January 2019	141
Impairment of Right-of-use asset on transition	(141)
Right-of-use asset recognised on date of transition	-

The provision for onerous leases recognised under IAS37 in the statement of financial position immediately before the date of initial application reconciles as show below to the amount applied towards impairment of the Right-of-use asset for one of the leases on date of transition.

	Note	£000
Onerous lease provison	12	307
Practical expedient to asset Right-of-use asset impairment		(141)
Onerous lease provision retained		166

2 Principal accounting policies (continued)

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

IFRS 16: 'Leases'

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

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

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

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

Lease payments included in the measurement of the lease liability comprise: fixed payments (including in-substance fixed payments) and variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date).

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

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

The Company recognises the lease payments associated with short-term leases (leases expiring within twelve months from commencement) on a straight-line basis over the lease term.

2 Principal accounting policies (continued)

Measurement Convention
The financial statements have been prepared on the historical cost basis. These financial statements are presented in pound sterling (with all values rounded to the nearest thousand pounds [£000] except where otherwise indicated), which is also the functional currency of the Company.

Going concern
The Company had net current liabilities at the Statement of Financial Position date of £31,077,000 (2018: £33,718,000).

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises.

The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

Summary of disclosure exemptions
In these financial statements, the Company, as a qualifying entity, 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;
- the prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of capital management; and
- 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.

2 Principal 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.

Development and storage assets
All field development costs are capitalised as Property, plant and equipment (PP&E). Such costs relate to the acquisition and installation of production facilities and include development drilling costs, project-related engineering and other technical services costs. PP&E, including rights and concessions related to storage activities, are depreciated from the commencement of storage in the fields concerned on a straight line basis over the fields expected storage life.

An impairment loss is recognised where it is considered that recorded amounts are unlikely to be fully recovered from the net present value of future net revenues. Development assets are reviewed annually for indicators of impairment and production and development assets are tested annually for impairment.

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.

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 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 costs can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

Depreciation and amortisation of PP&E assets
Freehold land is not depreciated. Other PP&E (excluding assets under construction) is depreciated on a straight-line basis.

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives, as follows:

Asset classes	**Depreciation method and rate**
Freehold and leasehold buildings	Straight line, up to 40 years
Plant	Straight line, between 5 and 20 years
Equipment and vehicles	Straight line, between 3 and 10 years
Gas storage	Straight line, up to 40 years

The carrying values of PP&E are tested annually for impairment and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and if necessary, changes are accounted for prospectively.

2 Principal accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

Recoverable amount calculations use cash flow projections based on the Group's internal Board-approved five-year business plans. For net realisable value calculations the cash flows are discounted at a post tax rate of 9.0% (2018: 9.5%).

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. 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.

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning gas storage facilities 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 given the assets have been impaired, the corresponding entry is charged to the income statement. As decommissioning is expected before the end of 2020, there is no material effect of the discounting.

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 that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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.

2 Principal accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are offset against deferred tax assets when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future, against which the deductible temporary difference can be utilised.

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

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 finance costs.

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

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.

(a) 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 original invoice amount and are subsequently held at amortised cost using the effective interest rate (EIR) 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.

(b) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable.

2 Principal accounting policies (continued)

Financial assets and liabilities (continued)

(c) 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.

(d) Interest-bearing loans and other borrowings
All interest-bearing (and interest-free) loans and other borrowings with banks, similar institutions and 'intercompany entities' are initially recognised at fair value net of directly attributable transaction costs (if any, in respect of 'intercompany funding'). After initial recognition, these financial instruments are measured at amortised cost using the EIR 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, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Decommissioning costs (note 12)
The Company estimates the cost of decommissioning the wells and site based on reviews carried out by qualified third parties. A number of assumptions and estimates are taken by the third parties around timing and extent of work and availability of key services.

4 Other income

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

	2019 £000	2018 £000
Gain from changes in decomissioning provisions	-	79
	-	79

5 Analysis of costs by nature

	2019 £000	2018 £000
Operating (income)/costs	(28)	21
Auditor's remuneration for audit services	-	5
(Gain)/loss from changes in onerous lease contract provisions (note 12)	(4)	34
Revision to decommissioning provisions (note 12)	1,831	-
Total operating costs	1,799	60

Operating (income)/costs include the release of accruals that are no longer required.

6 Employee costs

The Company had no employees (2018: nil) and no staff costs (2018: nil).

The Directors were remunerated as employees of the Centrica plc Group and did not receive any remuneration, from any source, specifically for their services as Directors of the Company during the current or preceding financial year.

7 Finance cost

	2019 £000	2018 £000
Decommissioning provision notional interest (note 12)	2	49
Finance interest payable	1	-
	3	49

8 Auditor's remuneration

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

	2019 £000	2018 £000
Audit Fees	5	5
	5	5

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

9 Taxation

	2019 £000	2018 £000
Current tax:		
UK corporation tax on profits of the period	-	-
Total current tax	-	-

Factors affecting total tax charge for the current year

The charge for the year can be reconciled to the loss per the income statement as follows:

	2019 £000	2018 £000
Loss for the year from continuing operations	(1,802)	(30)
Tax on loss at standard UK tax rate of 19% (2018: 19%)	(342)	(6)
Effects of:		
Expenses not deductible	-	12
Amounts not recognised	342	(6)
Tax charge for year	-	-

Factors that may affect future tax charges
The main rate of corporation tax for the year to 31 December 2019 was 19% (2018: 19%). The corporation tax rate was to reduce to 17% with effect from 1 April 2020. However, Finance Act 2020 increased the corporation tax rate back to 19%. The deferred tax balances reflect the 19% enacted rate.

10 Property, plant and equipment

	Assets under construction £000	Decommissioning asset £000	Total £000
Cost			
At 1 January 2019	26,231	5,531	31,762
Disposals	(26,231)	(5,531)	(31,762)
At 31 December 2019	-	-	-
Accumulated Depreciation and Impairment			
At 1 January 2019	26,231	5,531	31,762
On disposals	(26,231)	(5,531)	(31,762)
At 31 December 2019	-	-	-
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

The property, plant and equipment of the Company was fully impaired in 2013, following a decision to put the Caythorpe gas storage project on indefinite hold as a result of poor market conditions.

Following the completion of the majority of decommissioning works in the year, all assets were fully disposed of as the assets no longer existed. No proceeds were received in relation to any of the assets disposed of, and having been fully impaired in 2013, no profit or loss on disposal has been recognised.

Caythorpe Gas Storage Limited
Notes to the Financial Statements for the year ended 31 December 2019 (continued)

11 Trade and other payables

	2019 £000	2018 £000
Amounts owed to Group undertakings	29,895	29,741
Finance lease payables	35	-
Accrued expenses	-	34
	29,930	29,775

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

All lease payables are due to be paid before the end of 2020.

12 Provisions for other liabilities and charges

	Onerous purchase contracts 2019 £000	Decommissioning 2019 £000	Total 2019 £000
At 1 January 2019	307	3,795	4,102
Charged to the income statement:			
- Increase due to discount unwinding (note 7)	2	-	2
- Provision revision (note 5)	(4)	1,831	1,827
Release of onerous provision on initial application of IFRS 16 (note 2)	(141)	-	(141)
Capital contributions received in the year (note 13)	-	(4,554)	(4,554)
Utilised in the period	(89)	-	(89)
At 31 December 2019	75	1,072	1,147
Non-current liabilities	-	-	-
Current liabilities	75	1,072	1,147

Onerous purchase contracts

Future obligations for environmental fund payments have been fully provided for as onerous contracts due to the Company commencing decommissioning.

All payments in relation to onerous purchase contracts are anticipated to be completed before the end of 2020.

12 Provisions for other liabilities and charges (continued)

Decommissioning costs

The estimated cost of decommissioning at the end of the life of the storage facilities is based on independent engineering estimates.

Provision is made for the net present value of the estimated cost of decommissioning at the Statement of Financial Position date. The discount rate used to calculate the net present value is estimated using a risk-free rate for corporate bond of 1.2% (2018: 1.2%).

During the year the Company's parent company Centrica Storage Holding Limited agreed to pay for the decommissioning works carried out at the Caythorpe site on behalf of the Company. The Company has recognised the amounts paid in the year as a capital contribution (note 13).

13 Capital and reserves

Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £0.01 each	1	0.01	1	0.01

Reserves

Retained losses

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

Capital contribution reserve

	2019 £000
At 1 January 2019	-
Contributions received in the year (note 12)	4,554
At 31 December 2019	4,554

During the year, the Company received capital contributions from its parent, Centrica Storage Holdings Limited, to allow it to complete the decommissioning required for the Caythorpe site. The reserve is non-distributable.

14 Parent and ultimate parent undertaking

The immediate parent undertaking is Centrica Storage 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 Centrica plc's consolidated financial statements may be obtained from www.centrica.com.

The address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.

15 Non-adjusting post balance sheet events

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