

Registration number: 09402727

ENER-G Cogen International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



ENER-G Cogen International Limited

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ENER-G Cogen International Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report for ENER-G Cogen International Limited (the 'Company') for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is to act as a holding company.

Company strategy

As a holding company, the Company's strategy is aligned with its subsidiaries which:

- provide the highest standard of service to our customers and constantly exceed their expectations;
- create a working environment where excellence, commitment and achievement are recognised and rewarded;
- promote a quality-focused culture and aim to become the partner of first choice; and
- build successful long-term income streams through successful long-term relationships with customers, suppliers and influencers.

This strategy will be achieved by working with our existing stakeholders to develop new business opportunities, both in the UK and overseas, and by continuing to support the expansion of cogeneration technologies in attractive overseas markets through our network of Cogen Partners and the international operations of the Centrica plc group (the 'Group') since the Company was acquired by Centrica plc in May 2016.

ENER-G Cogen International Limited

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

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in a way that he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to various other stakeholder interests - below are the six key factors:

- the likely consequences of any decision in the long term;
- the interests of the company's employees, when relevant;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In discharging our Section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of Centrica Group entities. The Directors remain conscious that their decisions could have an impact on other stakeholders where relevant. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances.

We delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. The directors consider the Company's activities and make decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. In 2019 we did not recommend the payment of a final dividend. In making our decision we considered a range of factors including the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and the expectations of our shareholder as the supplier of long-term equity capital to the Company.

As the principal activity of the Company is to act as a holding company, its stakeholders during the period include other Centrica Group companies and as such the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors.

ENER-G Cogen International Limited

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

Review of the business

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

The principal activity of the Company is to act as a holding company. The financial position of the Company is presented in the Statement of Financial Position on page 13. Total equity at 31 December 2019 was £45,774,000 (31 December 2018: £52,090,000).

The Company has made a loss before income tax of £(6,066,000) (2018: profit £945,000), after an impairment of £7,210,000 (2018: £nil) on its investment in ENER-G Power2 Limited, as shown on page 12.

No dividend was paid during the year (2018: £nil).

All areas of the Company's investment activities are in sectors offering good potential for future growth - supported by UK, EU and worldwide policies for sustainable energy and energy efficiency. We expect to make steady progress in our selected markets as we invest in new equipment and projects.

Stakeholder Engagement

Proactive engagement remains a central focus for the Group, which ensures the directors have regard to the matters set out in S.172(1) (a) to (f) of the Companies Act. Further information on stakeholder engagement can be found on pages 16-17 of the Group's Annual Report and Accounts 2019. Engaging with stakeholders delivers better outcomes for society, and for our business. It's fundamental to our long-term success.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 34-43 of the Group's Annual Report and Accounts 2019, which does not form part of this report.

Exit from the European Union

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

ENER-G Cogen International Limited

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

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

On 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. Following United Kingdom government measures in response to the pandemic the Centrica plc group ("Group") became subject to a significant change in business environment, as well as implementing a number of significant operational changes in order to be able to continue to serve and support our customers. The Company's subsidiaries have been impacted by this. The energy management products and services businesses were unable to carry out non-essential installation and servicing activities at their customers' sites for the duration of the lockdown, but have worked closely with affected customers to ensure employees returned to the sites safely. For the power generation businesses, during lockdown some generating assets were switched off due to closure of customers' sites. These are expected to return to service as lockdown measures are relaxed.

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 12 months from the date the financial statements were authorised for issue. The Directors have assessed that while there are a range of future potential financial impacts upon the Group as a result of the pandemic, they have satisfied themselves that the Group will be able to support the Company if required under a reasonable worst-case scenario. See the Going Concern section of the Directors' Report on page 7.

Key performance indicators ('KPIs')

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the Company are net assets and profit or loss after tax, and these are shown above.

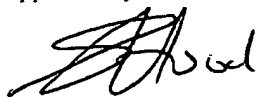
Future developments

On 11 June 2020, Centrica announced plans for a significant restructure designed to create a simpler, leaner group focused on improved service delivery for customers. The revised operating model is expected to accelerate the delivery of targeted cost savings and lead to a reduction of around 5,000 roles across the Group. The majority of the restructuring is expected to take place in the second half of 2020 after necessary consultations on the proposals have been concluded. The restructure will benefit the longer term value of the business, future operating profits and maintenance of a strong capital position of the Group. The Company would not expect to be materially impacted by the restructure but due to uncertainties arising from the consultation process it is not possible to quantify the effect at this time.

ENER-G Cogen International Limited

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

Approved by the Board on 02/11/2020 and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 09402727

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

ENER-G Cogen International Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors of the Company

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

A K Barlow

I A Hopkins

P Szabo

J P Pikunic

M Dennis (appointed 6 November 2019)

J M Bergman (resigned 31 July 2019)

R McCord (resigned 6 November 2019)

D Winstanley (resigned 31 December 2019)

Results and dividends

The results of the Company are set out on page 12. The loss for the financial year ended 31 December 2019 is £6,316,000 (2018: profit £682,000).

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

Objectives and policies

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

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

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

Future developments

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

ENER-G Cogen International Limited

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

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2 April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments were paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

Non adjusting events after the financial period

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

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

ENER-G Cogen International Limited

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

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

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

Disclosure of information to auditors

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

Auditors

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

Approved by the Board on 02/11/2020 and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 09402727
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

ENER-G Cogen International Limited

Independent Auditors' Report to the Members of ENER-G Cogen International Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ENER-G Cogen International 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 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

ENER-G Cogen International Limited

Independent Auditors' Report to the Members of ENER-G Cogen International Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

ENER-G Cogen International Limited

Independent Auditors' Report to the Members of ENER-G Cogen International Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

D. Winstone

Daryl Winstone (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

Date: **5/11/20**

ENER-G Cogen International Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Operating costs	5	(7,558)	(477)
Other income	4	<u>-</u>	<u>29</u>
Operating loss		<u>(7,558)</u>	<u>(448)</u>
Finance income	7	1,528	1,393
Finance costs	7	<u>(36)</u>	<u>-</u>
Net finance income		<u>1,492</u>	<u>1,393</u>
(Loss)/profit before taxation		(6,066)	945
Taxation on profit	10	<u>(250)</u>	<u>(263)</u>
(Loss)/profit for the year from continuing operations		<u><u>(6,316)</u></u>	<u><u>682</u></u>

The above results were derived from continuing operations.

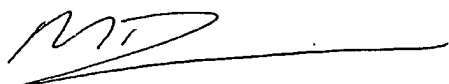
There were no recognised gains and losses in either period other than those shown above and accordingly no separate Statement of Comprehensive Income has been included in the Financial Statements.

ENER-G Cogen International Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Investments	11	<u>9,301</u>	<u>15,653</u>
		9,301	15,653
Current assets			
Trade and other receivables	12	<u>36,528</u>	<u>36,699</u>
Total assets		<u>45,829</u>	<u>52,352</u>
Current liabilities			
Trade and other payables	13	<u>(55)</u>	<u>(262)</u>
Net current assets		<u>36,473</u>	<u>36,437</u>
Total assets less current liabilities		<u>45,774</u>	<u>52,090</u>
Net assets		<u>45,774</u>	<u>52,090</u>
Equity			
Share capital	14	15,727	15,727
Retained earnings		<u>30,047</u>	<u>36,363</u>
Total equity		<u>45,774</u>	<u>52,090</u>

The financial statement on pages 12 to 24 were approved and authorised for issue by the Board of Directors on 02/11/2020. and signed on its behalf by:



.....
M Dennis
Director

Company number 09402727

ENER-G Cogen International Limited

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

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	15,727	36,363	52,090
Loss for the year	-	(6,316)	(6,316)
Total comprehensive expense	-	(6,316)	(6,316)
At 31 December 2019	15,727	30,047	45,774

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	15,727	35,681	51,408
Profit for the year	-	682	682
Total comprehensive income	-	682	682
At 31 December 2018	15,727	36,363	52,090

ENER-G Cogen International Limited

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

1 General information

ENER-G Cogen International Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

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

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 5.

2 Accounting policies

Basis of preparation

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

Changes in accounting policy

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

- IFRS 16: 'Leases'

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

Changes resulting from adoption of IFRS 16

IFRS 16: 'Leases'

The Company adopted IFRS 16: 'Leases' from 1 January 2019. The first-time adoption did not have any impact on the financial statements as the Company has no leases which fall under the scope of IFRS 16.

Summary of disclosure exemptions

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

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

ENER-G Cogen International Limited

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

2 Accounting policies (continued)

- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

As the consolidated financial statements of the Centrica plc group (the 'Group'), which are available from its registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;
- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company; and
- disclosures of the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

Measurement convention

The financial statements have been prepared on the historical cost basis.

Exemption from preparing group accounts

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

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2 April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments were 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.

ENER-G Cogen International Limited

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

2 Accounting policies (continued)

Summary of significant accounting policies and key accounting estimates

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

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.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the Company at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the reporting date, and associated gains and losses are recognised in the Income Statement for the year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

Changes in the fair value of foreign currency denominated monetary securities classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

Taxation

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

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

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

ENER-G Cogen International Limited

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

2 Accounting policies (continued)

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.

Investments in subsidiaries

Fixed asset investments in subsidiaries are held at deemed cost on transition to FRS 101 and in accordance with IAS 27, less any provision for impairment as necessary.

Financial assets and liabilities

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

- Trade and other receivables

Trade receivables are initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for expected credit losses. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not they are presented as non-current assets.

- 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.

- 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, 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.

ENER-G Cogen International Limited

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

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

Investments in subsidiaries, associates and joint-ventures

The Company undertakes an annual review process of its investments in subsidiaries, associates and joint-ventures as well as related receivables for indicators of impairment and tests for impairment where such an indicator arises.

The year end impairment test was a Fair Value Less Costs to Sell calculation, using cash flow projections based on Board-approved business plans for five years, with a terminal value calculated from the fifth year. Cash flows are discounted using a discount rate that reflects the current market assessments of the time value of money and are based on the estimated cost of capital of the investment. Long-term growth rates and post-tax discount rates used in these calculations were 2.0% and 7.5% respectively.

The impairment review process resulted in the recognition of an impairment of these investments. The total amount unrecoverable in respect of investments as at 31 December 2019 is £7,210,000 (2018: £nil), see note 11.

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.

Due to the nature of the business, the key uncertainty surrounds the carrying value of the investment in subsidiary undertakings, and the subsequent assessment of determining if an impairment provision is required.

Market assessments of the growth opportunities, together with the full financial forecasts for each of the subsidiary undertakings are obtained and reviewed to determine the long-term prospects and likely impact on the expected values of each of the subsidiaries. The value of each of the subsidiary undertakings are then reviewed against the carrying value of the investments at the end of each reporting period to determine if any impairments are required.

4 Other operating income

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

	2019 £ 000	2018 £ 000
Foreign exchange gains	-	29

ENER-G Cogen International Limited

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

5 Analysis of costs by nature

	2019 Operating costs £ 000	2018 Operating costs £ 000
Foreign exchange losses	(128)	-
Impairment of investments	(7,210)	-
Insurance recharges	(37)	(36)
Waiver of loan to Centrica Business Solutions Italia srl	-	(439)
Other operating costs	(183)	(2)
	<u>(7,558)</u>	<u>(477)</u>
Total costs by nature		

6 Employees' costs

The Company had no employees during the year (2018: nil).

7 Net finance income

Finance income

	2019 £ 000	2018 £ 000
Interest income from amounts owed by Group undertakings	<u>1,528</u>	<u>1,393</u>
Total finance income	<u><u>1,528</u></u>	<u><u>1,393</u></u>

Finance cost

	2019 £ 000	2018 £ 000
Net foreign exchange losses on financing transactions	<u>(36)</u>	<u>-</u>
Total finance costs	<u><u>(36)</u></u>	<u><u>-</u></u>
Net finance income	<u><u>1,492</u></u>	<u><u>1,393</u></u>

8 Directors' remuneration

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

ENER-G Cogen International Limited

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

9 Auditors' remuneration

Auditor's remuneration and non-audit fees totalling £2,500 (2018: £2,500) have been borne by other Group companies.

10 Income tax

Tax credited/(charged) in the Income Statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax at 19% (2018: 19%)	<u>(250)</u>	<u>(263)</u>

The main rate of corporation tax for the year to 31 December 2019 was 19% (2018: 19%). The corporation tax rate was due to reduce to 17% with effect from 1 April 2020. However, at the Budget on 11 March 2020 it was announced that the rate of corporation tax will remain at 19%.

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

	2019 £ 000	2018 £ 000
(Loss)/profit before tax	<u>(6,066)</u>	<u>945</u>
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	1,153	(180)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	<u>(1,403)</u>	<u>(83)</u>
Total tax charge	<u>(250)</u>	<u>(263)</u>

Deferred tax

There are no deferred tax balances as at 31 December 2019 (2018: £nil).

ENER-G Cogen International Limited

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

11 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2019	15,653
Additions	858
At 31 December 2019	16,511
Provision	
At 1 January 2019	-
Impairments provided in the year	(7,210)
At 31 December 2019	(7,210)
Net book value	
At 31 December 2019	9,301
At 31 December 2018	15,653

Additions relate to extra capital provided to Centrica Business Solutions Italia Srl.

An impairment of £7,210,000 was the result of the review of investment carrying values and relates to the investment in ENER-G Power2 Limited.

The full list of direct and indirect subsidiary undertakings as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
Centrica Business Solutions UK Limited	Energy management products and services	Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD United Kingdom	Ordinary shares	100%	100%
Centrica Business Solutions (Generation) Limited	Power generation	Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD United Kingdom	Ordinary shares	100%	100%
ENER-G Power2 Limited*	Holding company	Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD United Kingdom	Ordinary shares	100%	100%
Centrica Business Solutions Zrt *	Energy management products and services	H-1106 Budapest Jászberényi út 24-36 Hungary	Ordinary shares	100%	100%

ENER-G Cogen International Limited

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

11 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
Centrica Business Solutions Romania Srl*	Energy management products and services	Strada Martir Colonel Ioan Uta nr. 28 camera 1, Municipiul Timisoara judet Timis Romania	Ordinary shares	100%	100%
Centrica Business Solutions Italia Srl*	Energy management products and services	Milan (MI), Via Emilio Cornalia 26 Italy	Ordinary shares	100%	100%
ENER-G Nagykanizsa Kft	Energy management products and services	H-1106 Budapest Jászberényi út 24-36 Hungary	Ordinary shares	100%	100%

* indicates direct investment of the company

12 Trade and other receivables

	2019	2018
	Current	Current
	£ 000	£ 000
Amounts owed by Group undertakings	<u>36,528</u>	<u>36,699</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £33,749,000 (2018: £34,198,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.20% and 4.90% per annum during 2019 (2018: 3.72% and 4.13%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

13 Trade and other payables

	2019	2018
	Current	Current
	£ 000	£ 000
Amounts owed to Group undertakings	<u>(55)</u>	<u>(262)</u>

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

ENER-G Cogen International Limited

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

14 Capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>15,726,534</u>	<u>15,726,534</u>	<u>15,726,534</u>	<u>15,726,534</u>

Retained earnings

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

15 Parent and ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.

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

16 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.