Registration number: 02352390

Centrica Brigg Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Centrica Brigg Limited

Contents

Centrica Brigg Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for Centrica Brigg Limited (the 'Company') for the year ended 31 December 2021.

Principal activity
The Company owns a 99MW embedded open cycle gas turbine unit (Brigg OCGT) situated in Brigg, Lincolnshire which reached the end of its life in 2020 and has ceased to operate. The Company owns and operates a 49MW battery storage asset in Cumbria. During the year, the Company principally earned revenues through selling Capacity Market and ancillary services on its battery storage asset to National Grid.

Company strategy and review of the business
The company failed to secure a new Capacity Market (CM) contract for the 99MW generator asset and after careful consideration Centrica decided to close Brigg OCGT in October 2020. The Company is currently redeveloping the Brigg OCGT site to construct a 50MW battery storage asset.

The battery storage asset in Cumbria has a 15-year CM contract which commenced in October 2020.

The financial position of the Company is presented in the Statement of Financial Position on page 12. Total equity as at 31 December 2021 was £24,980,000 (2020: £22,168,000). The profit for the financial year ended 31 December 2021 was £2,817,000 (2020: loss £(791,000)).

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

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 38-43 of the Group's Annual Report and Accounts 2021, which does not form part of this report.

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

Key performance indicators ('KPIs')
The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 14-15 of the Group's Annual Report and Accounts 2021, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

Future developments

The Directors have approved the development of a 50MW battery storage asset at the Brigg OCGT site. The Company continues to be well placed to accelerate the growth in the battery storage market in the UK.

Centrica Brigg Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Approved by the Board on ....20 September 2022........ 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. 02352390

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

Centrica Brigg Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors of the Company

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

M Dennis

A K Barlow (resigned 5 July 2021)

P S Lawton (appointed 5 July 2021 and resigned 1 October 2021)

B W V Rees (appointed 1 October 2021)

The following directors were appointed after the year end:

G C Mckenna (appointed 21 March 2022)

A Z Longmuir (appointed 21 March 2022)

Results and dividends

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2021 is £2,817,000 (2020: loss £791,000). This includes an impairment charge of £nil (2020: £1,077,000).

The Company did not pay an interim dividend during the year (2020: £nil) and the Directors do not recommend the payment of a final dividend (2020: £nil).

Financial risk management policy

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

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

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

Future developments

Future developments are discussed in the Strategic Report on page 1.

Going concern

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

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

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

Directors' and officers' liability

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

Statement of Directors' Responsibilities

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

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

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

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

Disclosure of information to auditors

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

Auditors

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

Approved by the Board on ...20 September 2022......and signed on its behalf by:

S Hood Samantha Hood

....

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

Company registered in England and Wales, No. 02352390
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

Centrica Brigg Limited

Independent Auditors' Report to the Members of Centrica Brigg Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

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

D. Winstone..............

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

Date:...20/9/22..........

Centrica Brigg Limited

Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	5,953	4,888
Cost of sales	6	(2,207)	(3,716)
Gross profit		3,746	1,172
Operating costs	6	(739)	(2,002)
Exceptional items - impairment of property, plant and equipment	8	-	(1,077)
Other income	5	16	4
Operating profit/(loss)		3,023	(1,903)
Finance income	9	247	1,356
Profit/(loss) before taxation		3,270	(547)
Taxation on profit/(loss)	12	(453)	(244)
Profit/(loss) for the year from continuing operations		2,817	(791)

The notes on pages 14 to 29 form an integral part of these financial statements.

Centrica Brigg Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 £ 000	2020 £ 000
Profit/(loss) for the year	2,817	(791)
Items that will be or have been reclassified to the Income Statement		
Gain/(loss) on cash flow hedges (net)	-	(1)
Taxation on cash flow hedges	-	(42)
	-	(43)
Other comprehensive expense	-	(43)
Total comprehensive income/(expense) for the year	2,817	(834)

The notes on pages 14 to 29 form an integral part of these financial statements.

Centrica Brigg Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Property, plant and equipment	13	18,625	19,620
Deferred tax assets	12	-	144
		18,625	19,764
Current assets			
Trade and other receivables	14	9,825	6,032
Inventories	15	151	151
Cash and cash equivalents	16	198	-
		10,174	6,183
Total assets		28,799	25,947
Current liabilities			
Trade and other payables	18	(553)	(654)
Provisions for other liabilities and charges	19	(980)	(415)
Borrowings	17	-	(5)
		(1,533)	(1,074)
Net current assets		8,641	5,109
Total assets less current liabilities		27,266	24,873
Non-current liabilities			
Deferred tax liabilities	12	(309)	-
Provisions for other liabilities and charges	19	(1,977)	(2,705)
		(2,286)	(2,705)
Net assets		24,980	22,168
Equity			
Share capital	20	35,310	35,310
Retained earnings		(10,330)	(13,147)
Share-based payments reserve		-	5
Total equity		24,980	22,168

The financial statements on pages 10 to 29 were approved and authorised for issue by the Board of Directors on ....20 September 2022.................. and signed on its behalf by:

....
M Dennis
Director

Company number 02352390

The notes on pages 14 to 29 form an integral part of these financial statements.

Centrica Brigg Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Cash flow hedge reserve £ 000	Retained earnings £ 000	Share based payments reserve £ 000	Total equity £ 000
At 1 January 2021	35,310	-	(13,147)	5	22,168
Profit for the year	-	-	2,817	-	2,817
Total comprehensive income	-	-	2,817	-	2,817
Exercise of awards	-	-	-	(5)	(5)
At 31 December 2021	35,310	-	(10,330)	-	24,980

	Share capital £ 000	Cash flow hedge reserve £ 000	Retained earnings £ 000	Share based payments reserve £ 000	Total equity £ 000
At 1 January 2020	35,310	(210)	(12,356)	5	22,749
Loss for the year	-	-	(791)	-	(791)
Other comprehensive loss	-	(43)	-	-	(43)
Total comprehensive loss	-	(43)	(791)	-	(834)
Transfers to assets and liabilities from cash flow hedge reserve	-	253	-	-	253
At 31 December 2020	35,310	-	(13,147)	5	22,168

The notes on pages 14 to 29 form an integral part of these financial statements.

1 General information

Centrica Brigg 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 2.

2 Accounting policies

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

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

Changes in accounting policy
From 1 January 2021, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IFRS 17 and IFRS 4: 'Insurance Contracts' - deferral of IFRS 9; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2.

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

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

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

2 Accounting policies (continued)

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 except for derivative financial instruments and the carrying value of recognised assets and liabilities qualifying as hedged items in fair value hedges that have been adjusted from cost by the changes in the fair values attributable to the risks that are being hedged.

Going concern

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

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

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

2 Accounting policies (continued)

Summary of significant accounting policies and key accounting estimates

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

Revenue recognition

The Company adopted IFRS 15 'Revenue from contracts with customers' from 1 January 2018. The primary impact of application is the revision of accounting policies to reflect the five step approach to revenue recognition required by IFRS 15. With the exception of loadbook contract income, all revenue for the Company has been assessed to be within the scope of IFRS 15 and this resulted in no changes to amounts previously recognised in the financial statements. Loadbook income is recognised under IFRS 9 'Financial Instruments'.

Revenue comprises the amount of consideration received or receivable for the sales of goods and provision of services in the ordinary course of the Company's activities. It is recognised to the extent that it is probable that the Company will be able to collect consideration it will be entitled to in exchange for goods and/or services. Revenue is recognised over time as the Company either generates electricity or makes available generating capacity and is measured on the basis of power supplied and/or generating capacity made available during the period.

Revenue from ancillary or support services to National Grid such as Black Start and Balancing Mechanism revenue is recognised by reference to completion of each performance obligation which is generally as generating capacity is made available. Capacity Market and Triad revenue are recognised by reference to completion of the performance obligation which is to make generating capacity available.

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

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Cost of Sales

Cost of sales within power generation businesses includes the depreciation of assets included in generating power, fuel purchase costs, direct labour costs and carbon emissions costs.

Leases

The Company recognises the lease payments associated with short-term leases (leases expiring within twelve months from commencement) and leases of low value assets (underlying asset value less than £5,000) on a straight-line basis over the lease term.

Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the income statement. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contract charges and asset write-downs/impairments.

Foreign currencies

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

2 Accounting policies (continued)

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.

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

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

EU Emissions Trading Schemes and renewable obligation certificates

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

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

2 Accounting policies (continued)

Property, plant and equipment ('PP&E')
PP&E is included in the Statement of Financial Position at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent expenditure in respect of items of PP&E, such as the replacement of major parts, major inspections or overhauls, are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

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

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

Depreciation of PP&E
The depreciation periods for the principal categories of assets are as follows:

Asset class	**Depreciation method and rate**
Power station assets, battery storage and decommissioning asset	Straight line, up to 20 years
Turbine components, other plant and machinery	Based on equivalent hours

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

Inventories
Inventories are valued at the lower of cost and estimated net realisable value after allowance for redundant and slow-moving items. Inventories of gas and oil are valued on an average weighted basis, at the lower of cost and net realisable value.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Income Statement within interest expense.

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.

2 Accounting policies (continued)

Decommissioning costs
Provision is made for the net present value of the estimated cost of decommissioning at the end of their useful lives, based on price levels and technology at the reporting date.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the Income Statement within interest expense.

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

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

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

2 Accounting policies (continued)

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the Directors' opinion there are no critical judgements, apart from those involving estimations (which are dealt with separately below).

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

Decommissioning costs
The estimated cost of decommissioning is reviewed periodically and is based on price levels and technology at the reporting date. Provision is made for the estimated cost of decommissioning at the reporting date. For the existing power station assets the Directors are reviewing potential use of the site. For the battery storage assets decommissioning is currently anticipated to begin in 2038. Details regarding the decommissioning provision can be found in note 19.

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

Impairment of long-lived assets

The Company has material long-lived assets that are assessed or tested for indicators of impairment at each reporting date in accordance with the Company's accounting policy as disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying amounts of these assets or CGU are recoverable. The key operating assumptions are revenues (in particular, future capacity market, energy and reserve prices), gross margin and operating costs.

During the year an impairment review was carried out that resulted in an impairment charge of £nil (2020: £1,077,000) being recognised in the year.

4 Revenue

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

	2021 £ 000	2020 £ 000
Capacity market revenue	1,155	973
Balancing mechanism revenue	149	166
Triad revenue	-	985
Battery storage revenue	4,649	2,755
Other revenue	-	9
	5,953	4,888

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

UK Capacity Market

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

5 Other operating income

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

	2021 £ 000	2020 £ 000
Sale of scrap parts	16	4

6 Analysis of costs by nature

	2021 Cost of sales £ 000	2021 Operating costs £ 000	2021 Total costs £ 000	2020 Cost of sales £ 000	2020 Operating costs £ 000	2020 Total costs £ 000
Operating lease expense - vehicle	-	(3)	(3)	-	(1)	(1)
Employee costs	(208)	(65)	(273)	(802)	(488)	(1,290)
Depreciation/ write-downs	(1,008)	-	(1,008)	(1,100)	(18)	(1,118)
Realised losses	-	-	-	(253)	-	(253)
Transportation, distribution and metering costs	(789)	-	(789)	(1,530)	-	(1,530)
Recharges	-	(111)	(111)	-	(654)	(654)
Facilities and property costs	-	(343)	(343)	-	(463)	(463)
Decommissioning Provision increase	-	-	-	-	(225)	(225)
Contractor and other staff related costs	-	(31)	(31)	-	(33)	(33)
Other cost of sales	(202)	-	(202)	(31)	-	(31)
Other operating costs	-	(174)	(174)	-	(111)	(111)
Contractor, consultancy and other professional services	-	(12)	(12)	-	(9)	(9)
Total costs by nature	(2,207)	(739)	(2,946)	(3,716)	(2,002)	(5,718)

7 Employee costs

The Company has no direct employees (2020: zero). However, central payroll costs amounting to £218,000 (2020: £794,000) were incurred through a recharge during the year in respect of an average of 4 (2020: 11) staff providing services to the Company under an employee services agreement with a Group company. Also under this agreement additional pension costs of £55,000 (2020: £181,000) have been incurred from the Group company.

8 Exceptional items

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

	2021 £ 000	2020 £ 000
Exceptional items - impairment of property, plant and equipment	-	(1,077)

During the year an impairment review was carried out to determine whether the carrying amounts of the assets and CGU's was recoverable. The key operating assumptions used were gross margin, revenues and operating costs. In 2021 no impairment charge was recognised in the year (2020: £1,077,000).

9 *Finance income*

Finance income

	2021 £ 000	2020 £ 000
Interest income from amounts owed by Group undertakings	247	1,356
Total finance income	247	1,356

10 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.

11 Auditors' remuneration

Costs of £8,000 for the audit of the financial statements were borne by other Group companies (in 2020, costs of £8,000 were paid by the Company).

12 Income tax

Tax credited/(charged) in the Income Statement

	2021 £ 000	2020 £ 000
Current taxation		
	-	-
Total current income tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	(438)	(282)
Changes in tax rates	(78)	45
Adjustment in respect of prior period	63	(7)
Total deferred taxation	(453)	(244)
Taxation on profit/(loss)	(453)	(244)

The UK rate of corporation tax for the year to 31 December 2021 was 19% (2020: 19%).

The UK corporation tax rate will increase to 25% with effect from 1 April 2023. At 31 December 2021, the relevant UK deferred tax assets and liabilities included in these Financial Statements were measured at the prevailing rate applicable for the period when the underlying temporary differences are expected to reverse.

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

	2021 £ 000	2020 £ 000
Profit/(loss) before tax	3,270	(547)
Tax on profit/(loss) at standard UK corporation tax rate of 19% (2020: 19%)	(621)	104
Decrease/(increase) in current tax from adjustment for prior periods	63	(7)
Increase from effect of expenses not deductible in determining taxable profit/(tax loss)	(3)	-
Decrease/(increase) arising from group relief tax reconciliation	176	(385)
Decrease from transfer pricing adjustments	10	-
Deferred tax (expense)/credit relating to changes in tax rates or laws	(78)	44
Total tax charge	(453)	(244)

12 Income tax (continued)

Deferred tax

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

	Accelerated tax depreciation £000	Revaluation of cash-flow hedges £000	Other items £000	Total £ 000
1 January 2021	(449)	-	593	144
(Charged)/credited to the Income Statement	(662)	-	146	(516)
Prior period adjustments	48	-	15	63
31 December 2021	(1,063)	-	754	(309)

	Accelerated tax depreciation £000	Revaluation of cash-flow hedges £000	Other items £000	Total £ 000
1 January 2020	(49)	44	436	431
(Charged)/credited to the Income Statement	(393)	-	157	(236)
(Charged)/credited to other comprehensive income	-	(44)	-	(44)
Prior period adjustments	(7)	-	-	(7)
31 December 2020	(449)	-	593	144

The deferred tax balance of £(309,000) (2020: £144,000) arises on tax losses and is recoverable after more than one year.

	2021 Assets £ 000	2021 Liabilities £ 000	2020 Assets £ 000	2020 Liabilities £ 000
Gross deferred tax balances crystallising after one year	754	(1,063)	593	(449)
	754	(1,063)	593	(449)

13 Property, plant and equipment

	Power station assets £ 000	Decommissioning asset £ 000	Battery storage assets £ 000	Total £ 000
Cost				
At 1 January 2021	1,248	640	30,173	32,061
Additions	-	13	-	13
At 31 December 2021	1,248	653	30,173	32,074
Accumulated depreciation and impairment				
At 1 January 2021	-	(59)	(12,382)	(12,441)
Charge for the year	-	(33)	(975)	(1,008)
At 31 December 2021	-	(92)	(13,357)	(13,449)
Net book value				
At 31 December 2021	1,248	561	16,816	18,625
At 31 December 2020	1,248	581	17,791	19,620

Impairment
The Company has material long-lived assets that are assessed or tested for indicators of impairment at each reporting date in accordance with the Company's accounting policy as disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying amounts of these assets or cash generating units are recoverable. The key operating assumptions are revenues (in particular, future capacity market, energy and reserve prices), gross margin and operating costs.

During the year an impairment review was carried out that resulted in an impairment charge of £nil (2020: £1,077,000) being recognised in the year.

14 Trade and other receivables

	2021 Current £ 000	2020 Current £ 000
Amounts owed by Group undertakings	9,348	5,487
Accrued energy income	477	506
VAT	-	39
	9,825	6,032

The amounts owed by Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis. Included within the net amounts owed by Group undertakings disclosed above is a receivable of £7,367,000 (2020: £7,025,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.61% and 4.23% per annum during 2021 (2020: 4.42% and 4.73%). All amounts owed by Group undertakings are unsecured and repayable on demand.

15 Inventories

	2021 £ 000	2020 £ 000
Strategic spares and consumables	151	151

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

16 Cash and cash equivalents

	31 December 2021 £ 000	31 December 2020 £ 000
Other cash and cash equivalents	198	-

The cash balance of £198,000 (2020: £nil) was restricted until June 2022 and relates to credit cover provided to EMR Settlement Limited which we are obliged to lodge as part of participating in the Capacity Market.

17 Loans and borrowings

	31 December 2021 £ 000	31 December 2020 £ 000
Current bank overdrafts, loans and borrowings		
Bank overdrafts	-	(5)

18 Trade and other payables

	2021 Current £ 000	2020 Current £ 000
Trade payables	(115)	(246)
Accrued expenses	(409)	(358)
EU ETS emissions obligations	-	(50)
VAT	(29)	-
	(553)	(654)

19 Provisions for other liabilities and charges

	Restructuring £ 000	Decommissioning £ 000	Total £ 000
At 1 January 2021	190	2,930	3,120
Revision to provision on existing assets	-	13	13
Provisions used	(163)	(13)	(176)
At 31 December 2021	27	2,930	2,957
Non-current liabilities	-	1,977	1,977
Current liabilities	27	953	980

Decommissioning
The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities. For the Brigg OCGT, the Directors are reviewing potential use of the site. For the battery storage assets decommissioning is currently anticipated to begin in 2038. The decommissioning costs represent an independent valuer's best estimate. A discount rate of 0.00% (2020: 0.00%) has been used.

20 Capital and reserves

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	35,310,000	35,310,000	35,310,000	35,310,000

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

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

21 Fair value of financial instruments

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

Determination of fair values
The Company's policy for the classification and valuation of financial instruments is disclosed in the accounting policies section of these financial statements. The fair value hierarchy levels are determined in accordance with IFRS 13 and are consistent with those used by its ultimate controlling party being Centrica plc. Further information on the matter including valuation techniques to derive Level 2 and Level 3 fair values is provided in its Annual Report and Accounts 2021.

22 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.