

Registration number: 04942184

Distributed Energy Customer Solutions Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



Distributed Energy Customer Solutions Limited

Contents

	Page(s)
Strategic Report	1 to 2
Directors' Report	3 to 5
Statement of Directors' Responsibilities	4
Independent Auditors' Report	6 to 9
Income Statement	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 20

Distributed Energy Customer Solutions Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for Distributed Energy Customer Solutions Limited (the 'Company') for the year ended 31 December 2021.

Principal activity

Trading operations in the accounts of the Company are comprised of optimisation contracts and Panoramic Power subscriptions during the financial year. Optimisation contracts comprise the management of demand response aggregation systems for "partner" commercial UK businesses and to supply the UK Capacity market. The Panoramic solution is a measurement and insight tool whose sensors and software can predict maintenance needs for electrical equipment, as well as identify energy saving opportunities.

Review of the business

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2021 is £88,000 (2020: profit £22,000). The financial position of the Company is presented on page 11. At 31 December 2021 net assets are £102,000 (2020: £14,000).

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.

Distributed Energy Customer Solutions Limited

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

Future developments

As part of a wider business review in 2019, it was agreed that going forward the Company would not be used for any new Panoramic contracts. All remaining legacy Panoramic contracts expired during 2021, and the entity continues to hold two legacy Optimisation contracts.

Approved by the Board on 28 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. 04942184

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

Distributed Energy Customer Solutions 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:

D R Pethybridge (appointed 21 January 2021)

P Lawton (appointed 5 July 2021 and resigned 1 May 2022)

A K Barlow (resigned 5 July 2021)

P M Zimmerman (resigned 21 January 2021)

The following director was appointed after the year end:

J Jacober (appointed 1 May 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 £88,000 (2020: profit £22,000).

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 2.

Distributed Energy Customer Solutions Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

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.

Distributed Energy Customer Solutions Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

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

Disclosure of information to auditors

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

Auditors

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

Approved by the Board on 28 September 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. 04942184
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

Distributed Energy Customer Solutions Limited

Independent Auditors' Report to the Members of Distributed Energy Customer Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Distributed Energy Customer Solutions 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 Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 14.

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.

Distributed Energy Customer Solutions Limited

Independent Auditors' Report to the Members of Distributed Energy Customer Solutions Limited (continued)

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Distributed Energy Customer Solutions Limited

Independent Auditors' Report to the Members of Distributed Energy Customer Solutions 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.

Distributed Energy Customer Solutions Limited

Independent Auditors' Report to the Members of Distributed Energy Customer Solutions Limited (continued)

D. Winstone

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

Date: 28/9/22

Distributed Energy Customer Solutions Limited

Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	409	165
Cost of sales	5	<u>(320)</u>	<u>(141)</u>
Operating profit		89	24
Finance costs	7	<u>(1)</u>	<u>(2)</u>
Profit before taxation		88	22
Taxation on (profit)/loss	10	<u>-</u>	<u>-</u>
Profit for the year from continuing operations		<u>88</u>	<u>22</u>

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.

Distributed Energy Customer Solutions Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Current assets			
Trade and other receivables, and contract-related assets	11	381	132
Total assets		<u>381</u>	<u>132</u>
Current liabilities			
Trade and other payables, and contract-related liabilities	12	(279)	(118)
Net current assets		<u>102</u>	<u>14</u>
Total assets less current liabilities		<u>102</u>	<u>14</u>
Net assets		<u>102</u>	<u>14</u>
Equity			
Share capital	13	-	-
Retained earnings		102	14
Total equity		<u>102</u>	<u>14</u>

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



D R Pethybridge
Director

Company number 04942184

The notes on pages 13 to 20 form an integral part of these financial statements.

Distributed Energy Customer Solutions Limited

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

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021	-	14	14
Profit for the year	-	88	88
Total comprehensive income	-	88	88
At 31 December 2021	-	102	102

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	-	(8)	(8)
Profit for the year	-	22	22
Total comprehensive income	-	22	22
At 31 December 2020	-	14	14

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

Distributed Energy Customer Solutions 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.

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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 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

Measurement convention

The financial statements have been prepared on the historical cost basis. They are presented in pound sterling (with all values rounded to the nearest thousand pounds (£1,000) except when otherwise indicated), which is also the functional currency of the Company.

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.

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.

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Revenue recognition

The Company's two revenue streams are from optimisation contracts, and the sale of Panoramic power products and related support services.

Optimisation revenue is recognised over time as the Company satisfies its performance obligation of having the capacity to provide energy when required to do so. Revenue from these services is recognised based on a price agreed annually in advance. All monies received from customers relate to contracts that are ultimately with National Grid PLC. The revenue is presented on a gross basis, with cost of sales separately presented for the amounts paid to flex providers.

Revenue from the sale of Panoramic power products are recognised over time as the Company satisfies its single performance obligation of sensor supply and subsequent data provision. Where support services are also provided then the revenue is recognised over the period of the contract as these services are provided. Any cash received in advance of revenue being recognised is held within the balance sheet as a contract liability.

Financing costs

Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Where a specific financing arrangement is in place, the specific borrowing rate for that arrangement is applied. For non-specific financing arrangements, a borrowing rate representative of the weighted average borrowing rate is used. Financing costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed.

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.

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.

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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 or other factors that are considered to be relevant. Actual results may differ from these estimates.

In the Directors' opinion there are no critical judgements or key sources of estimation uncertainty.

4 Revenue

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

	2021 £ 000	2020 £ 000
Optimisation contracts	406	117
Measurement and insight tools for energy efficiency	3	48
	<u>409</u>	<u>165</u>

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

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

5 Analysis of costs by nature

	2021		2020	
	Cost of sales £ 000	Total costs £ 000	Cost of sales £ 000	Total costs £ 000
Optimisation	(317)	(317)	(93)	(93)
Panoramic Power	(3)	(3)	(48)	(48)
Total costs by nature	<u>(320)</u>	<u>(320)</u>	<u>(141)</u>	<u>(141)</u>

6 Employee costs

The Company has no employees (2020: nil) and no direct staff costs (2020: nil). Any costs relating to employees are borne by other Group companies.

7 Net finance cost

Finance cost

	2021 £ 000	2020 £ 000
Interest on amounts owed to Group undertakings	<u>(1)</u>	<u>(2)</u>
Total finance costs	<u>(1)</u>	<u>(2)</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 (2020: nil).

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Auditors' remuneration

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

	2021	2020
	£ 000	£ 000
Audit fees	<u>(3)</u>	<u>(3)</u>

Auditors' remuneration relates to fees for the audit of the financial statements of the Company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group Financial accounts of its ultimate parent, Centrica plc.

10 Income tax

Tax credited/(charged) in the Income Statement

	2021	2020
	£ 000	£ 000
Taxation on profit	<u>-</u>	<u>-</u>

The main rate of corporation tax for the year to 31 December 2021 was 19% (2020: 19%). The corporation tax was due to increase to 25% with effect from 1 April 2023. However, on 23 September 2022 the Government 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:

	2021	2020
	£ 000	£ 000
Profit before tax	<u>88</u>	<u>22</u>
Tax on profit at standard UK corporation tax rate of 19% (2020: 19%)	(17)	(4)
Increase arising from group relief tax reconciliation	16	3
Increase from transfer pricing adjustments	<u>1</u>	<u>1</u>
Total tax charge	<u>-</u>	<u>-</u>

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Trade and other receivables

	31 December 2021 Current £ 000	31 December 2020 Current £ 000
Trade receivables	3	-
Contract assets	86	94
Amounts owed by Group undertakings	292	35
Prepayments	-	3
	<u>381</u>	<u>132</u>

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. All amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

12 Trade and other payables

	31 December 2021 Current £ 000	31 December 2020 Current £ 000
Accrued expenses	262	97
Amounts owed to Group undertakings	17	18
Contract liabilities	-	3
	<u>279</u>	<u>118</u>

The amounts owed to Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis. The net amount payable to the parent company includes amounts payable of £11,000 (2020: £13,000) 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 in 2021 (2020: 4.42% and 4.73%). The other amounts payable to associated group companies are interest-free. All amounts payable to the parent company and associated group companies are unsecured and repayable on demand.

Distributed Energy Customer Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Capital and reserves

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

14 Parent and ultimate parent undertaking

The immediate parent undertaking is Centrica Business Solutions Management 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.