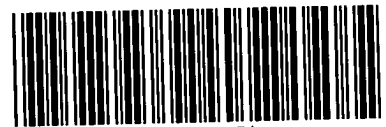


Registration number: 04248952

**Centrica Offshore UK Limited**  
**Annual Report and Financial Statements**  
**for the Year Ended 31 December 2022**

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## **Centrica Offshore UK Limited**

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# **Centrica Offshore UK Limited**

## **Company Information**

### **Directors**

M R Scargill  
R Roy  
T R Thomsen

### **Secretary**

Centrica Secretaries Limited

### **Auditor**

Deloitte LLP  
2 New Street Square  
London  
United Kingdom  
EC4A 3BZ

### **Registered office**

Woodland House  
Woodland Park  
Hessle  
United Kingdom  
HU13 0FA

### **Registered number**

04248952

## **Centrica Offshore UK Limited**

### **Strategic Report for the Year Ended 31 December 2022**

The Directors present their Strategic Report for Centrica Offshore UK Limited (the 'Company') for the year ended 31 December 2022.

#### **Principal activity**

The Company continues to own the production licence for the Rough reservoir, which was historically used as a storage facility by the immediate parent company, Centrica Energy Storage Limited (CESL). On 9 September 2022 CESL received all consents and approvals to return Rough to storage operations. The Company has the right to extract the remaining indigenous gas and condensate, subject to regulatory consents. The Company also has the obligation to decommission the Rough facility after extracting the indigenous gas.

#### **Section 172(1) Statement**

In promoting the success of the Company, the Directors must consider the interests of stakeholders and the other matters required by section 172(1) (a) to (f) of the Companies Act, 2006.

This Section 172(1) Statement describes the relevant items for the Company. The Company is a subsidiary of Centrica plc and its activities support the wider strategy of the Centrica Group. Where appropriate, for example, in matters of long-term strategy, decision-making is aligned with that of the ultimate parent company Board, ensuring that stakeholders of the Company have been rigorously considered.

#### **General confirmation of Directors' duties**

Directors are fully aware of and understand their statutory duties under the Act. Day to day authority is delegated to executives, and the Directors are supported by management in setting, approving and overseeing the execution of the business strategy and related policies. The executives consider the Company's activities, such as reviewing financial and operational performance, business strategy, key risks, stakeholder-related matters, governance, and legal and regulatory compliance and make decisions.

Section 172(1) of the Act provides that each Director must ensure that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to section 172(1) (a) to (f) as described below.

##### **(a) The likely consequences of any decision in the long term**

Centrica plc is conscious that decisions made by all Group companies could have an impact on other stakeholders where relevant. By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Group aims to ensure that the decisions of all Group companies, including the Company, are consistent and appropriate in all circumstances. Decisions regarding payment of any dividends by subsidiary companies of Centrica plc are taken at a Group level based upon the expertise and professional guidance of the Group's financial controllers, taking into account a range of factors, including: the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in the Company; and the expectations of the ultimate parent company's shareholders as a supplier of long-term equity capital to the Company.

##### **(b) The interests of the Company's employees**

Although the Directors recognise that employees within the Group are fundamental to future growth and success of Centrica, the Company has no direct employees therefore, the consideration of the interests of the Company's employees has not applied to the decisions made by the Directors.

##### **(c) The need to foster the Company's business relationships with suppliers, customers and others**

Centrica plc recognises the benefits for all Group companies of engaging with a broad range of stakeholders and that developing and delivering the Group's strategy depends on building and maintaining constructive relationships. In ensuring the Company fosters the business relationships with suppliers, customers and others, the Company and its Directors are therefore supported by the overarching programme of extensive engagement with such stakeholders that is conducted across the wider Centrica Group. The breadth of stakeholder considerations in our operating or commercial trading companies is set out on pages 12 to 13 of Centrica plc's Annual Report and Accounts 2022.

## **Centrica Offshore UK Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **General confirmation of Directors' duties (continued)**

**(d) The impact of the Company's operations on the community and the environment**

Centrica plc appreciates that collaboration with charities and community groups helps to create stronger communities and provides insights that enable the Group to understand the impact of all Group companies on the community and environment, and the consequences of its decisions in the long term. In ensuring the Company takes into account the impact of its operations on the community and the environment, the Company and its Directors are supported by the overarching programme of extensive engagement with the community and wider environment that is conducted across the wider Centrica Group.

**(e) The desirability of the Company maintaining a reputation for high standards of business conduct**

The Board adheres to Centrica Group's "Our Code" code of conduct which all Centrica Group employees are subject to setting out the high standards and behaviours we expect from those that work for us or with us.

**(f) The need to act fairly as between members of the Company**

The Company's activities support the wider strategy of the Centrica Group and, owing to the fact the Company is a wholly owned subsidiary of Centrica plc, the Directors are required only to balance the interests of corporate shareholders that are themselves wholly owned subsidiaries of Centrica plc, rather than any third party members.

Further information about how the Centrica Group engages with, and considers the interests of, different stakeholders can be found on pages 12 to 13, 37 to 38 and 66 to 71 of Centrica plc's Annual Report and Accounts 2022.

#### **Culture**

The Company's culture is set by the Group and embedded in all we do. Further information on the Group's culture can be found on pages 7, 37, 44 to 45, 56 to 59, 67 and 71 of Centrica plc's Annual Report and Accounts 2022.

#### **Stakeholder engagement**

As is normal for large companies, the Directors delegate authority for day to day management of the Company to executives engaged in setting, approving and overseeing execution of the business strategy and related policies of the Group. While there may be cases where the Directors judge that the Company should engage directly with certain stakeholder groups or on specific issues, the size and spread of both our stakeholders and the Group means that generally, stakeholder engagement best takes place at an operational or Group level. The Directors consider that as well as being a more efficient and effective approach, this also helps achieve a greater positive impact on environmental, social and other issues than working alone as an individual company. A description of how the Group engages with its stakeholders is set out on pages 12 to 13, 37 to 38 and 66 to 71 of Centrica plc's Annual Report and Accounts 2022.

#### **Review of the business**

The Company reported a profit for the financial year of £164,830,000 (2021: £64,063,000). The Company also made exceptional income of £nil (2021: £48,351,000).

The Company continued to produce indigenous gas and associated liquids from the Rough reservoir under the revised production licence granted by the Oil and Gas Authority ('OGA') in January 2018 until 9 September 2022. After which the production was further under the production consent within the CESL storage licence.

On 9 September 2022 the Company's parent company Centrica Energy Storage Limited received all consents and approvals to return Rough to gas storage operations to support the UK gas security of supply. The return of Rough as a storage asset increases UK total storage capacity by 50%. A 10 year storage licence was granted along with a 2 year third-party access exemption. Storage operations at the Rough asset on 11 September 2022. In June 2023 an extension to the third party exemption until 30 April 2030 was granted.

The return to storage operations required that on 9 September 2022 CESL purchased all the onshore and offshore operating assets from the Company for a consideration of £13,400,000 in order to comply with the Gas Act 1995.

## **Centrica Offshore UK Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Review of the business (continued)**

Further to comply with the Gas Act 1995 the commercial operations will be indefinitely managed by Centrica Energy Marketing Limited (CEML) who will nominate the production of Rough indigenous gas.

The production volumes during 2022 for Rough increased due to higher reservoir pressure following the injection of storage gas in September to November, with sales gas production of 16 bcf (2021: 15 bcf).

Gross revenue for 2022 increased to £336,737,000, up 148% compared to 2021 (£135,615,000), driven by the improvement in National Balancing Point gas prices in 2022, with sales gas production of 16 bcf in 2022 (2021: 15 bcf) due to the Rough rundown profile.

Cost of sales increased in the year to £81,650,000 (2021: £76,909,000) due to an increase in depreciation compensated by a decreased cost share cost of sales from CESL of £21,665,000. Operating costs from the cost share arrangement with CESL have increased by £919,000.

During the year, a cost recharge of £57,586,000 (2021: £78,332,000) was made by the Company's immediate parent, CESL, split £45,828,000 cost of sales (2021: £67,493,000) and £11,758,000 operating costs (2021: £10,839,000) in line with the cost share agreement.

Net assets increased to £164,708,000 (2021: deficit of £122,000). This reflects the impact of the statutory profit in the year, in particular the high NBP gas price and the fair value movement on derivative financial instruments during the year.

The Company's net working capital balances, consisting of trade and other receivables and trade and other payables have increased to £402,150,000 (2021: £200,222,000) reflecting the statutory profit in the year.

#### **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 28-33 of the Group's Annual Report and Accounts 2022, 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')**

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the Company are volume of gas sold and the average achieved price. In the current year 16 bcf of gas was sold in 2022 (2021: 15 bcf) at an average achieved price of 196 pence per therm (p/th) (2021: 85 p/th).

The Directors of the Group also use a number of other 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 26-27 of the Group's Annual Report and Accounts 2022, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 6.

## **Centrica Offshore UK Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Carbon emissions and energy usage**

Carbon emissions and energy usage are not disclosed at a Company level due to exemptions detailed in Para 20A of Schedule 7 of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Carbon emissions and energy usage reporting for the Group is included in the 'People and Planet' section on pages 42-44 of Centrica plc's Annual Report and Accounts 2022. Specific metrics and targets are disclosed in the 'Task Force on Climate-related Financial Disclosures' section on pages 51 to 53 of the Group's Annual Report and Accounts 2022.

#### **Future developments**

The Directors anticipate the Company will make profits in the short to medium term through the production of the remaining Rough gas reserves. In the longer term the Company will make losses during the decommissioning of the facilities.

The Centrica Group including the Company has also engaged with Government and regulators to promote the role Rough could play in the decarbonisation of the UK while creating thousands of skilled well-paid jobs via the repurposing of the facilities to support the transition to green energy.

Approved by the Board on 27 September 2023 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. 04248952

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

## **Centrica Offshore UK Limited**

### **Directors' Report for the Year Ended 31 December 2022**

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

#### **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 R Scargill  
R Roy  
T R Thomsen

#### **Results and dividends**

The Company reported a profit for the financial year of £164,830,000 (2021: £64,063,000). The company also made exceptional income of £nil (2021: £48,351,000).

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2021: £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 price risk, 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. Credit risk is managed through the Group continually reviewing its rating thresholds for relevant counterparty credit limits and updating these as necessary, based on a consistent set of principles. Price risks are managed through using a range of derivatives to hedge any exposures arising.

#### **Regulatory and compliance risk**

The Company is required to operate within the regulatory guidelines set by UK bodies including the Gas Act 1995. These place constraints on the Company's activities. Failure to comply with the regulations set by these bodies carries significant reputational, financial and legal consequences. The regulatory and compliance team for the Centrica Storage Holdings Limited group of companies monitors regulatory risk and updates Directors on a regular basis.

#### **Asset integrity risk**

The Company is expected to be profit making in the short to medium term through the extraction and sale of the indigenous gas and associated liquids in the Rough field. The Company is therefore dependant on the Rough assets' integrity in order to extract future gas. However, the Company believes this is not a major risk as the Company's parent Company Centrica Energy Storage Limited (CESL) remains committed to maintaining the Rough assets to operate safely, in order to facilitate gas production.

#### **Future developments**

Future developments are discussed in the Strategic Report on page 5.



## **Centrica Offshore UK Limited**

### **Directors' Report for the Year Ended 31 December 2022 (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.

The Directors have updated their Group going concern assessment as at 30 June 2023. The going concern assessment has included stress-testing cash forecasts for different scenarios including reasonably possible increases/ decreases in commodity prices and evaluating risk scenarios for reasonably possible combinations of risks, the largest of which is the increased margin outflows in the trading and upstream businesses. Risks considered also include the impact of significant adverse weather events, increased bad debt charges due to the cost of living crisis, the risk of financial loss due to counterparty default and production falls in the Group's upstream business. The Group has established enhanced processes in the trading business and in respect of upstream to plan for and manage possible increases in margin cash requirements. The Group undrawn committed facilities as at 30 June 2023 were £3.8 billion in addition to Group unrestricted cash and cash equivalents of £5.9 billion. The level of undrawn committed bank facilities and available cash resources has enabled the Directors to conclude that there are no material uncertainties relating to going concern. As a result, the Group continues to adopt the going concern basis of accounting in preparing the financial statements.

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.

#### **Gas reserves (unaudited)**

The Company has estimated proven and probable (2P) gas reserves. Estimates are made by management based on the results of reserve studies performed by independent third-party consultants. The principal field is the Rough field, with estimated net proven and probable reserves of 15 bcf at 31 December 2022 (2021: 25 bcf).

During 2022, the Company re-assessed its 2P gas reserves and identified an increase of 8 bcf of reserves based on the latest reservoir performance data.

The Company extracted 17 bcf of gas during 2022 (2021: 16 bcf).

#### **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.

## **Centrica Offshore UK Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

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

The Directors are responsible for preparing the Annual 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'. 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 auditor**

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

#### **Strategic report**

The Directors have chosen in accordance with Section 414C (11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the Directors consider these are of strategic importance to the Company.

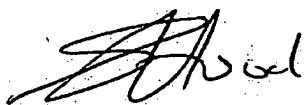
## **Centrica Offshore UK Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

#### **Auditor**

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

Approved by the Board on 27 September 2023 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. 04248952

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

## **Centrica Offshore UK Limited**

### **Independent auditor's report to the member of Centrica Offshore UK Limited**

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

##### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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 19.

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.

## **Centrica Offshore UK Limited**

### **Independent auditor's report to the member of Centrica Offshore UK Limited (continued)**

#### **Responsibilities of Directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 Company documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory frameworks 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. These included terms of the field licenses monitored by the Industry Regulator and local health and safety and environmental laws and regulations.

We discussed among the audit engagement team including relevant tax 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.

## **Centrica Offshore UK Limited**

### **Independent auditor's report to the members of Centrica Offshore UK Limited (continued)**

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud (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.

D. Winstone

Daryl Winstone FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
27 September 2023

## Centrica Offshore UK Limited

### Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000's	2021 £ 000's
Revenue	4	336,737	135,615
Cost of sales	5	(81,650)	(76,909)
Re-measurement of derivatives	5	75,105	(54,659)
<b>Gross profit</b>		<b>330,192</b>	<b>4,047</b>
Operating costs	5	(41,119)	(10,839)
		289,073	(6,792)
Exceptional items – Impairment reversal of non-current assets	6	-	48,351
<b>Operating profit</b>		<b>289,073</b>	<b>41,559</b>
Finance costs	8	-	-
<b>Profit before tax</b>		<b>289,073</b>	<b>41,559</b>
Tax (charge)/credit	10	(124,243)	22,504
<b>Profit for the year</b>		<b>164,830</b>	<b>64,063</b>

The above results were derived from continuing operations.

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

The notes on pages 17 to 33 form an integral part of these financial statements.

# Centrica Offshore UK Limited

## Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000's	2021 £ 000's
<b>Non-current assets</b>			
Intangible assets	12	-	502
Property, plant and equipment	11	19,204	93,012
Deferred tax assets	10	135,377	108,854
Trade and other receivables	13	405,126	252,303
		<u>559,707</u>	<u>454,671</u>
<b>Current assets</b>			
Derivative financial instruments	17	11,485	-
		<u>11,485</u>	<u>-</u>
<b>Total assets</b>		<u>571,192</u>	<u>454,671</u>
<b>Current liabilities</b>			
Trade and other payables	14	(2,976)	(52,081)
Derivative financial instruments	17	-	(63,621)
Current tax liabilities		(86,438)	(14,492)
Provisions for other liabilities and charges	15	(47,337)	(36,465)
		<u>(136,751)</u>	<u>(166,659)</u>
<b>Net current liabilities</b>		<u>(125,266)</u>	<u>(166,659)</u>
<b>Total assets less current liabilities</b>		<u>434,441</u>	<u>288,012</u>
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	15	(269,733)	(288,134)
		<u>(269,733)</u>	<u>(288,134)</u>
<b>Total liabilities</b>		<u>(406,484)</u>	<u>(454,793)</u>
<b>Net assets/(liabilities)</b>		<u>164,708</u>	<u>(122)</u>

The notes on pages 17 to 33 form an integral part of these financial statements.




## Centrica Offshore UK Limited

### Statement of Financial Position as at 31 December 2022 (continued)

	Note	2022 £ 000's	2021 £ 000's
<b>Equity</b>			
Share capital	16	4,500	4,500
Retained profit/(losses)	16	160,208	(4,622)
<b>Total equity</b>		<b>164,708</b>	<b>(122)</b>

The financial statements on pages 13 to 33 were approved and authorised for issue by the Board of Directors on 27 September 2023 and signed on its behalf by:



M R Scargill  
Director

Company number 04248952

The notes on pages 17 to 33 form an integral part of these financial statements.

# Centrica Offshore UK Limited

## Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000's	Retained (losses)/profit £ 000's	Total equity £ 000's
At 1 January 2022	4,500	(4,622)	(122)
Profit for the year	-	164,830	164,830
<b>At 31 December 2022</b>	<b>4,500</b>	<b>160,208</b>	<b>164,708</b>

	Share capital £ 000's	Retained losses £ 000's	Total equity £ 000's
At 1 January 2021	4,500	(68,685)	(64,185)
Profit for the year	-	64,063	64,063
<b>At 31 December 2021</b>	<b>4,500</b>	<b>(4,622)</b>	<b>(122)</b>

The notes on pages 17 to 33 form an integral part of these financial statements.

## **Centrica Offshore UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **1 General information**

Centrica Offshore UK Limited (the 'Company') is a private company limited by shares, domiciled and incorporated in the United Kingdom under the Companies Act, 2006 and is registered in England and Wales.

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

Woodland House  
Woodland Park  
Hessle  
United Kingdom  
HU13 0FA

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 5.

#### **2 Accounting policies**

##### **Basis of preparation**

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards as issued by the IASB and in conformity with the requirements of the Companies Act 2006.

##### **Changes in accounting policy**

From 1 January 2022, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' costs of fulfilling a contract; and
- Amendments to IAS16: 'Property, Plant and Equipment', sale proceeds before intended use; and
- Annual improvements to IFRS 2018-2020.

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;
- disclosures in respect of capital management;

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

- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the indefinite-life intangible assets; and

## **Centrica Offshore UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

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

##### **Summary of disclosure exemptions (continued)**

- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided.

##### **Measurement convention**

The financial statements have been prepared on the historical cost basis except for derivative financial instruments.

These financial statements are presented in pounds sterling, (with all values rounded to the nearest thousand pounds £000's except where otherwise indicated) which is also the functional currency of the Company. Transactions conducted in foreign currencies are translated in accordance with the foreign currencies accounting policy set out below.

##### **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.

The Directors have updated their Group going concern assessment as at 30 June 2023. The going concern assessment has included stress-testing cash forecasts for different scenarios including reasonably possible increases/ decreases in commodity prices and evaluating risk scenarios for reasonably possible combinations of risks, the largest of which is the increased margin outflows in the trading and upstream businesses. Risks considered also include the impact of significant adverse weather events, increased bad debt charges due to the cost of living crisis, the risk of financial loss due to counterparty default and production falls in the Group's upstream business. The Group has established enhanced processes in the trading business and in respect of upstream to plan for and manage possible increases in margin cash requirements. The Group undrawn committed facilities as at 30 June 2023 were £3.8 billion in addition to Group unrestricted cash and cash equivalents of £5.9 billion. The level of undrawn committed bank facilities and available cash resources has enabled the Directors to conclude that there are no material uncertainties relating to going concern. As a result, the Group continues to adopt the going concern basis of accounting in preparing the financial statements.

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.

## **Centrica Offshore UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

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

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

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

##### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is stated as amounts invoiced to customers for the sale of condensate and indigenous gas, and excludes value-added tax.

Revenue arising from the sale of produced gas is recognised in a manner consistent with energy supply contracts with the revenue recognition profile reflecting the supply of gas to the customer. In respect of condensate sales, each shipment of condensate is considered a separate performance obligation satisfied at a point in time – on delivery.

The rights and obligations identifiable within a contract where the Company holds sellers' nomination rights are considered to be enforceable from inception of the contract. The transaction price for the contract will include variable consideration based on production volumes and market driven prices. The point at which the performance obligation is satisfied and revenue recognised is the point at which control of the commodity passes to the customer according to the contractual trading terms, usually on shipment or delivery to a specified location.

The Company sells gas to the market through its immediate parent company, Centrica Energy Storage Limited. Gas is sold at arm's length prices. Condensate is sold to third parties.

##### **Cost of sales**

Cost of sales includes depreciation of assets used for gas production including plant and machinery, indigenous gas and abandonment assets.

##### **Finance costs**

Finance costs include the impact of discounting on the Company's decommissioning liabilities. The release of the risk-free element of the discount rate is charged to the income statement each year. For further information see note 15.

##### **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.

##### **Taxation**

Current tax, including UK corporation tax and UK petroleum 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. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

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.

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 2 Accounting policies (continued)

##### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets include application software. For purchased application software, the costs include contractors' charges, materials, directly attributable labour and directly attributable overheads.

Capitalisation begins when expenditure for the asset is being incurred and activities necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Amortisation commences at the point of commercial deployment.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their expected production profile and assessed for impairment whenever there is an indication that the intangible asset could be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least annually. Changes in the expected production profile or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for on a prospective basis by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from their use.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the intangible asset could be impaired, either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortised.

##### Amortisation

Intangible assets subject to amortisation are provided so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Application software	Unit of production

##### 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.

##### Depreciation of PP&E

Depreciation is charged at rates sufficient to write off the cost, less any estimated residual value, of individual assets on either a unit of production basis using expected production profiles or on a straight-line basis using estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	Unit of production
Indigenous gas	Unit of production
Abandonment assets – excluding terminal abandonment asset	Unit of production
Terminal abandonment asset	Straight line, over 17 years

## **Centrica Offshore UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

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

##### **Depreciation of PP&E (continued)**

The unit of production methodology depreciates the remaining asset net book value including any expected future capital expenditure to access the recoverable 2P reserves, over the total remaining recoverable 2P reserves.

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.

##### **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. When cash is dispersed in respect of amounts provided for the related provision is released.

##### **Decommissioning costs**

Provision is made for the net present value of the estimated cost of decommissioning the gas production facilities at the end of the producing lives of fields, 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 are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

Recoverable amount calculations use cash flow projections based on the Group's internal Board-approved five-year business plans, which include observable market data where available and liquid. For net realisable value calculations, the cash flows are discounted at a post-tax rate of 10.0% (2021: 10.0%).

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 profit or loss. 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.

The Company provides for impairments of financial assets when there is objective evidence of impairment as a result of events that impact the estimated future cash flows of the financial assets.

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 2 Accounting policies (continued)

##### **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 derecognised 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 derecognised when the obligation under the liability is discharged, cancelled or expires.

##### **- Trade and other receivables**

Trade receivables and amounts owed by group undertakings are amounts due from customers for gas and condensate sold or services performed in the ordinary course of business.

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

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

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

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

##### **- Share capital**

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

##### **Derivative financial instruments**

The Company routinely enters into sale transactions for physical delivery of gas. These sales contracts are within the scope of IFRS 9 due to the fact that they net settle or contain written options. Such contracts are accounted for as derivatives under IFRS9 and are recognised in the Company's Statement of Financial Position at fair value. Gains and losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the Income Statement for the year.

The Company uses a derivative to hedge exposures to financial risks, such as energy price risks, arising in the normal course of business. The use of derivative financial instruments is governed by the Group's policies. Further detail on the Group's risk management policies is included within the Annual Report and Accounts 2022 of the ultimate controlling party being Centrica plc, in the Strategic Report - Principal Risks and Uncertainties on pages 38 to 46 and in note S3.

All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and derivative liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

Derivatives are classified as current and non-current assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.



## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

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

##### **Critical judgements in applying the Company's accounting policies**

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

##### **Key sources of estimation uncertainty**

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

##### **Decommissioning costs (note 15)**

The estimated cost of decommissioning at the end of the producing lives of processing assets is reviewed periodically and is based on price levels and technology at the Statement of Financial Position date. Provision is made for the estimated cost of decommissioning at the Statement of Financial Position date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities. Most of the decommissioning costs are expected to be incurred over a five-year period.

The level of provision held is also sensitive to the discount rate used to discount the estimated decommissioning costs. The real discount rate used to discount the decommissioning liabilities at 31 December 2022 is 1.0% (2021: 0.0%). A 1% increase in the real discount rate would reduce the decommissioning provision by £15,846,000.

The decommissioning asset related to 47/8A has been written off as a result of the permanent cessation of operations on 47/8A and has subsequently entered its decommissioning phase.

##### **Gas and liquid reserves**

The volume of proven and probable (2P) gas and liquids reserves is an estimate that affects the unit of production method of depreciating producing assets as well as being a significant estimate affecting decommissioning and impairment calculations. The factors impacting gas and liquids estimates, the process for estimating reserve quantities and reserve recognition are described in the Annual Report and Accounts of the ultimate controlling party being Centrica plc on page 223.

##### **Determination of fair value – energy derivatives**

Fair values of energy derivatives are estimated by reference in part to published price quotations in active markets and in part by using valuation techniques. Quoted market prices considered for valuation purposes are the bid price for assets held and/or liabilities to be issued, or the offer price for assets to be acquired and/or liabilities held, although the mid-market price or another pricing convention may be used as a practical expedient (where typically used by other market participants). The judgements and the assumptions underpinning these judgements are considered to be appropriate.

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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

##### Impairment of long-lived assets (note 11 & 12)

The Company has several long-lived assets that are assessed for impairment at each reporting date in accordance with the Company's accounting policy. The Company makes judgments and estimates in considering whether the carrying amounts of these assets or cash generating units (CGUs) are recoverable. The key assets that are subjected to impairment tests are Property, plant and equipment along with intangible assets.

The recoverable amount of the Company's operational facilities is calculated by discounting the post-tax cashflows expected to be generated by the assets based on predictions of forward National Balancing Point (NBP) gas prices, gas production profiles, capital expenditure, operating expenditure and decommissioning costs.

Future post tax cash flows are dependent on the assumptions outlined in note 2. Future post tax cashflows are dependent on the assumptions outlined in note 2 and the forward NBP gas prices. The forward NBP gas prices are calculated via the forward market curve for the first two years, then a blended period, followed by a fundamental view from three years onwards.

No impairment reversal has been identified in the year.

#### 4 Revenue

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

	2022 £ 000's	2021 £ 000's
Indigenous gas	328,052	134,012
Condensate	8,685	1,603
	<u>336,737</u>	<u>135,615</u>

All revenue arose from activities in the United Kingdom.

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 5 Analysis of costs by nature

	2022			
	Cost of sales £ 000's	Operating costs £ 000's	Re-measurement of derivatives £ 000's	Total costs £ 000's
Direct costs	47,894	-	-	47,894
Depreciation & Amortisation (notes 11 & 12)	33,756	-	-	33,756
Derivative fair value movement	-	-	(75,105)	(75,105)
Operating costs	-	11,758	-	11,758
Loss on disposal of fixed assets	-	29,361	-	29,361
Total costs by nature	81,650	41,119	(75,105)	47,664

	2021			
	Cost of sales £ 000's	Operating costs £ 000's	Re-measurement of derivatives £ 000's	Total costs £ 000's
Direct costs	67,493	-	-	67,493
Depreciation & Amortisation (notes 11 & 12)	9,416	-	-	9,416
Derivative fair value movement	-	-	54,659	54,659
Operating costs	-	10,839	-	10,839
Total costs by nature	76,909	10,839	54,659	142,407

With effect from 20 June 2017, the Company entered into a cost share agreement with its immediate parent Centrica Energy Storage Limited (CESL). Costs of £57,586,000 were recharged in the year (2021: £78,332,000) split £45,828,000 cost of sales (2021: £67,493,000) and £11,758,000 operating costs (2021: £10,839,000) in line with the cost share arrangement.

#### 6 Exceptional items

The following exceptional items were recognised in arriving at operating profit/(loss) for each reporting period:

	2022 £ 000's	2021 £ 000's
Impairment reversal of intangible assets	-	(276)
Impairment reversal of tangible assets	-	(48,075)
	-	(48,351)

The prior year impairment reversal of £48,351,000 arose primarily as a result of higher forward NBP gas prices.

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 7 Employee costs

The Company had no employees (2021: nil) and no staff costs (2021: nil).

The Directors were remunerated as employees of the 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.

#### 8 Finance cost

	2022 £ 000's	2021 £ 000's
Decommissioning provision notional interest	-	-
	-	-

#### 9 Auditor's remuneration

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

	2022 £ 000's	2021 £ 000's
Audit fees	20	19

Auditor's remuneration relates to fees for the audit of the financial statements of the Company, and the fees were paid by another Company within the Group. 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 charged/(credited) in the Income Statement

	2022 £ 000's	2021 £ 000's
<b>Current taxation</b>		
UK corporation tax	136,091	8,191
Adjustments in respect of prior period	14,675	(11,466)
Total current income tax	150,766	(3,275)
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	13,717	(18,203)
Changes in tax rates	(26,115)	-
Adjustment in respect of prior period	(14,125)	(1,026)
Total deferred taxation	(26,523)	(19,229)
Taxation per income statement	124,243	(22,504)

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 10 Income tax (continued)

The UK rate of corporation tax for the year to 31 December 2022 was 19% (2021: 19%).

The UK corporation tax rate will increase to 25% with effect from 1 April 2023. At 31 December 2022, 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.

Upstream gas and oil production activities are taxed at a corporation tax rate of 30% (2021: 30%) plus a supplementary charge of 10% (2021: 10%) to give an overall rate of 40% (2021: 40%). In addition, certain upstream assets in the UK attract petroleum revenue tax (PRT) at 0% (2021: 0%).

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the UK ring fence profits of oil and gas producers with effect from 26 May 2022. The legislation introducing the EPL was substantively enacted on 11 July 2022 and is charged at the rate of 25%, taking the combined rate applicable to ring fence profits of 65% (2021: 40%).

Further, as part of the Finance Bill 2022-23 the rate of the EPL was increased to 35% (applicable from 1 January 2023) and the levy was extended to remain in place until 31 March 2028. These changes were substantively enacted on 30 November 2022.

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:

	2022 £ 000's	2021 £ 000's
Profit before tax	289,073	41,559
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	54,924	7,896
<b>Effects of:</b>		
Adjustments in respect of prior periods	550	(12,492)
Income not taxable	(4)	(3)
Transfer pricing adjustments	759	1,229
Tax rate changes	(26,170)	-
Upstream investment incentives	(608)	-
Group and other reliefs	(759)	(1,229)
Additional charges applicable to upstream profits	95,551	1,185
Reassessment of deferred tax recognised	-	(19,090)
Total tax charge/(credit)	124,243	(22,504)

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 10 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's	Temporary difference trading £ 000's	Total £ 000's
1 January 2022	(8,202)	117,056	108,854
(Charged)/credited to the Income Statement	12,665	(26,382)	(13,717)
Remeasurement of deferred tax balances	16,263	9,851	26,114
Prior period adjustments	14,126	-	14,126
31 December 2022	<b>34,852</b>	<b>100,525</b>	<b>135,377</b>

	Accelerated tax depreciation £ 000's	Temporary difference trading £ 000's	Total £ 000's
1 January 2021	5,861	83,764	89,625
(Charged)/credited to the Income Statement	(14,063)	32,266	18,203
Prior period adjustments	-	1,026	1,026
31 December 2021	<b>(8,202)</b>	<b>117,056</b>	<b>108,854</b>

	2022		2021	
	Assets £ 000's	Liabilities £ 000's	Assets £ 000's	Liabilities £ 000's
Gross deferred tax balances crystallising after one year	135,377	-	117,056	(8,202)
Offsetting deferred tax balances	-	-	(8,202)	8,202
Net deferred tax balances	<b>135,377</b>	<b>-</b>	<b>108,854</b>	<b>-</b>

Deferred tax is recognised on temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using corporation tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse and are based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 11 Property, plant and equipment

	Plant & Machinery £ 000's	Abandonment Asset £ 000's	Indigenous Gas £ 000's	Total £ 000's
<b>Cost</b>				
At 1 January 2022	282,899	257,814	33,101	573,814
Additions	2,205	-	-	2,205
Disposals	(285,104)	-	-	(285,104)
At 31 December 2022	-	257,814	33,101	290,915
<b>Accumulated depreciation and impairment</b>				
At 1 January 2022	225,800	224,136	30,866	480,802
Charge for the year (note 5)	16,817	15,244	1,465	33,526
On disposals	(242,617)	-	-	(242,617)
At 31 December 2022	-	239,380	32,331	271,711
<b>Net book value</b>				
At 31 December 2022	-	18,434	770	19,204
At 31 December 2021	57,099	33,678	2,235	93,012
			2022 £ 000	2021 £ 000
Assets in the course of construction (cost)			-	2,875

Assets in the course of construction are included within Plant & Machinery category.

The return to storage operations required that on 9 September 2022 Centrica Energy Storage Limited purchased all the onshore and offshore operating assets from the company for consideration of £13,400,000 in order to comply with the Gas Act 1995.

In the prior year an impairment reversal of £48,351,000 arose primarily as a result of higher forward NBP gas prices.

## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 12 Intangible fixed assets

	Application Software £ 000's
<b>Cost</b>	
At 1 January 2022	2,771
Additions	2
Disposals	(2,773)
At 31 December 2022	-
<b>Accumulated depreciation and impairment</b>	
At 1 January 2022	2,269
Charge for the year (note 5)	230
On disposals	(2,499)
At 31 December 2022	-
<b>Net book value</b>	
At 31 December 2022	-
At 31 December 2021	502

#### 13 Trade and other receivables

	2022		2021	
	Current £ 000's	Non-current £ 000's	Current £ 000's	Non-current £ 000's
Amounts owed by Group undertakings	-	405,126	-	252,303
	-	405,126	-	252,303

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. All amounts owed by Group undertakings are unsecured, repayable on demand and non-interest bearing. The net amounts owed by Group undertakings exclude any derivative arrangements between Group companies.



## Centrica Offshore UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 14 Trade and other payables

	2022		2021	
	Current £ 000's	Non-current £ 000's	Current £ 000's	Non-current £ 000's
Amounts owed to Group undertakings	2,976	-	52,081	-
	<u>2,976</u>	<u>-</u>	<u>52,081</u>	<u>-</u>

The amounts owed to Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Amounts owed to Group undertakings are interest free, unsecured, repayable on demand and non-interest bearing. See note 2 for further details.

#### 15 Provisions for other liabilities and charges

	Decommissioning £ 000's
At 1 January 2022	324,599
Capitalised:	
- Utilised during the period	(7,529)
At 31 December 2022	<u>317,070</u>
Non-current liabilities	<u>269,733</u>
Current liabilities	<u>47,337</u>

#### Decommissioning

The Company has recognised provisions for its obligations to decommission its production facilities at the end of their operating lives. The estimated cost of decommissioning at the end of the life of the production facilities is based on engineering estimates and, in the case of the Rough facility, reports from independent experts. Provision is made for the net present value of the estimated cost of decommissioning at the Statement of Financial Position date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a risk-free rate of 1.0% (2021: 0.0%). The payment dates of expected decommissioning costs are uncertain, but the majority of decommissioning costs are expected to be incurred by 2036.

#### 16 Capital and reserves

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

	2022		2021	
	No.	£ 's	No.	£ 's
Ordinary shares of £1 each	4,500,000	4,500,000	4,500,000	4,500,000

#### Share Capital

The Ordinary shares have the rights and restrictions as set out in the Articles of Association of the Company.

#### 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 Statement of Financial Position date.

**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

The Company buys and sells national balancing point gas through forward and futures contracts. An analysis is performed to assess whether these arrangements are financial instruments or not ('own-use contracts'). The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company adopts Group internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follow:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data.
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in managements best estimate of fair value.

	31 December 2022			31 December 2021		
	Fair value and carrying value £ 000's	Level 1 £ 000's	Level 2 £ 000's	Fair value and carrying value £ 000's	Level 1 £ 000's	Level 2 £ 000's
<b>Financial assets at fair value through profit or loss:</b>						
<b>Derivative financial assets - held for trading under IFRS9</b>						
Energy derivatives	11,485	-	11,485	-	-	-
Total financial assets at fair value through profit or loss	11,485	-	11,485	-	-	-
	31 December 2022			31 December 2021		
	Fair value and carrying value £ 000's	Level 1 £ 000's	Level 2 £ 000's	Fair value and carrying value £ 000's	Level 1 £ 000's	Level 2 £ 000's
<b>Derivative financial liabilities - held for trading under IFRS9</b>						
Energy derivatives	-	-	-	(63,621)	-	(63,621)
Total financial liabilities at fair value through profit or loss	-	-	-	(63,621)	-	(63,621)
<b>Net financial instruments at fair value</b>	11,485	-	11,485	(63,621)	-	(63,621)

## **Centrica Offshore UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **17 Fair value of financial instruments (continued)**

##### **Methods and assumptions**

There were no material transfers during the financial year between level 1 and 2. There were no Level 1 trades during the year and at the end of the year.

Transfers between fair value hierarchy levels are based on the values of the relevant assets and liabilities at the beginning of the reporting period.

The Company has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

- quoted prices in active markets for the same instrument (i.e. without modification or repackaging) (Level 1);
- quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data (Level 2); and
- valuation techniques for which any significant input is not based on observable market data (Level 3).

Assessing the significance of a particular input requires judgement. For the purposes of the fair value hierarchy, the Directors have determined Level 2 as the appropriate hierarchy level for all valuations generated from the Company's trading system given that all financial assets and financial liabilities measured and held at fair value mature within the active period.

##### **(b) Valuation techniques used to derive Level 2 fair values and valuation process**

Level 2 foreign exchange derivatives comprise forward foreign exchange contracts which are fair valued using forward exchange rates that are quoted in an active market.

Level 2 energy derivatives are fair valued by comparing and discounting the difference between the expected contractual cash flows for the relevant commodities and the quoted prices for those commodities in an active market. The average discount rate applied to value this type of contract during 2022 was 5% per annum (2021: 1% per annum).

#### **18 Related party transactions**

The Company has taken advantage of the exemption within FRS 101 from disclosure of transactions with other wholly-owned Centrica plc Group companies and key management personnel compensation.

#### **19 Parent and ultimate parent undertaking**

The immediate parent undertaking is Centrica Energy Storage 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](http://www.centrica.com).

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