Registration number: 04713745

Centrica Distributed Generation Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015

Centrica Distributed Generation Limited

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Centrica Distributed Generation Limited

Strategic Report for the Year Ended 31 December 2015

The Directors present their Strategic Report of Centrica Distributed Generation Limited ("the Company") for the year ended 31 December 2015.

Review of the business

The Company owned a 229MW gas-fired open cycle gas turbine generating station in Roosecote ("Roosecote power station"). The power station was maintained in a state of preservation from April 2012 until the Directors of the Company took a decision to discontinue the operations of the power station in October 2013 as it was no longer economically viable in the current market conditions. Demolition activities commenced in 2014.

Centrica plc ("the Group") launched a fundamental strategic review in February 2015. The conclusions of this review were announced on 30 July 2015 as part of the Centrica plc interim results. This outlined the creation of a new Distributed Energy and Power (DE&P) business unit, which Centrica Distributed Generation Limited forms part of. The full impact of this strategic review on the Company is yet to be fully determined but it will be a priority for the Directors during the remainder of 2016. Further details of this review are included in the Centrica plc Annual Report and Accounts 2015.

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosures Framework ('FRS 101'). The Company's transition date to FRS 101 was 1 January 2014 and comparatives have been restated accordingly. For details of the transition to FRS 101 and the effect of the change on the Company's financial position, see notes 2 and 18. Centrica Distributed Generation Limited was previously known as Centrica RPS Limited, the Company's name changed as of 19 February 2016.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company are discussed on pages 38-42 of the 2015 Centrica plc Annual Report and Accounts which does not form part of this report.

In June, a UK referendum resulted in a vote for the country to leave the European Union and the resultant uncertainty adds to the challenges for UK businesses in all sectors. This uncertainty may lead to volatility in markets with potential fluctuations in foreign exchange rates, interest rates and commodity prices. Sensitivity analysis associated with the Group's exposure to currency, interest rate and commodity price risk was included in note S3 of the Group's consolidated Financial Statements for the year ended 31 December 2015.

Overall, management assesses the direct impacts on the Company to be minimal in the short term. The Company's focus is now on understanding what the result means for energy and other material business regulations over time and how this would impact the competitiveness of the European energy markets. The UK is a major energy importer and what happens in the European energy market will ultimately impact energy consumers in the UK. The Company does not export its products and services to EU countries nor does it have material exposure to currency risks.

Key performance indicators (KPIs)

The Directors of the Group use a number of key performance indicators to monitor progress against the Group's strategy. The development and performance of the Group, which includes the Company, are discussed on pages 20-21 of the Centrica plc Annual Report and Accounts which does not form part of this report.

Future developments

There are no plans to change the nature of the activities in the foreseeable future.

Centrica Distributed Generation Limited

Strategic Report for the Year Ended 31 December 2015 (continued)

Approved by the Board on 16 SEPTEMBER 2016 and signed on its behalf by:

For and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 04713745
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Distributed Generation Limited

Directors' Report for the Year Ended 31 December 2015

The Directors present their report and the audited Financial Statements for the year ended 31 December 2015.

Directors of the Company
The Directors who held office during the year were as follows:

Mark Futyan

Peter Koch de Gooreynd

Richard McCord

Results and dividends
The results of the Company are set out on page 7. The profit for the financial year ended 31 December 2015 is £672,000 (2014: profit £903,000). No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2014: £nil).

Objectives and policies

The directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business:

• Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Credit risk is predominantly limited to exposures with other Centrica plc group undertakings.
• Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly.
• Liquidity risk is managed through funding arrangements with Centrica plc group undertakings.

The Company did not take part in hedging of any kind (2014: £nil). The Company would hedge foreign currency risk if the need arose.

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

Going concern
The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised.

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

Centrica Distributed Generation Limited

Directors' Report for the Year Ended 31 December 2015 (continued)

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 FRS 101 has 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 the 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.

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

Approved by the Board on 16 SEPTEMBER 2016 and signed on its behalf by:

For and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 04713745
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Distributed Generation Limited

Independent Auditors' Report to the Members of Centrica Distributed Generation Limited

Report on the financial statements

Our opinion

In our opinion, Centrica Distributed Generation Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in 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;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Centrica Distributed Generation Limited

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

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit
As explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of;

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

....
Mark King (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date:.............................

Centrica Distributed Generation Limited

Income Statement for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Operating costs before exceptional items	4	(384)	(1,206)
Exceptional items - decommissioning costs	6	412	(631)
Exceptional items - profit on disposal of fixed assets	6	-	1,100
Operating profit/(loss)		28	(737)
Finance income	7	767	564
Finance cost	7		(55)
		767	509
Profit/(loss) before income tax		795	(228)
Income tax (expense)/credit	10	(123)	1,131
Profit for the year		672	903

The notes on pages 11 to 23 form an integral part of these financial statements.

Centrica Distributed Generation Limited

Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Profit for the year		672	903
Total comprehensive income for the year		672	903

The notes on pages 11 to 23 form an integral part of these financial statements.

Centrica Distributed Generation Limited

Statement of Financial Position as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
Non-current assets			
Property, plant and equipment	11	480	480
		480	480
Current assets			
Trade and other receivables	12	26,806	26,820
Deferred tax asset	10	560	780
Cash and cash equivalents		4	-
		27,370	27,600
Total assets		27,850	28,080
Current liabilities			
Trade and other payables	13	(66)	(318)
Provisions for other liabilities and charges	14	(934)	(1,500)
Borrowings		-	(83)
Total liabilities		(1,000)	(1,901)
Net assets		26,850	26,179
Equity			
Share premium reserve		1,569	1,569
Retained earnings		25,281	24,610
Total equity		26,850	26,179

The financial statements on pages 7 to 23 were approved and authorised for issue by the Board of Directors on 16 SEPTEMBER 2016 and signed on its behalf by:

Richard McCord

Richard McCord

Director

Company number 04713745

Centrica Distributed Generation Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2015	1,569	24,609	26,178
Profit for the year	-	672	672
Total comprehensive income	1,569	25,281	26,850
At 31 December 2015	1,569	25,281	26,850

	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2014	1,569	23,707	25,276
Profit for the year	-	903	903
Total comprehensive income	1,569	24,610	26,179
At 31 December 2014	1,569	24,610	26,179

The notes on pages 11 to 23 form an integral part of these financial statements.

1 General information

Centrica Distributed Generation Limited (the 'Company') is a company limited by share capital incorporated and domiciled in the UK.

The address of its registered office and principal place of business is:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

These financial statements were authorised for issue by the Board on [15 September 2016].

2 Accounting policies

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

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

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has effected the reported financial position, financial performance and cash flows of the Company is provided in note 18.

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

• A Cash Flow Statement and related notes;

• Comparative period reconciliations for tangible fixed assets;

• Disclosures in respect of the compensation of Key Management Personnel;

• Disclosures in respect of capital management;

• Disclosures in respect of related parties transactions with wholly-owned subsidiaries;

• The effects of new but not yet effective IFRSs.

Note that the Company has early adopted the following amendments to FRS 101 (effective for periods beginning on or after 1 January 2016) in these financial statements:

• Presentation of IAS format financial statements;

• Exemption from the presentation of a third balance sheet (being the opening balance sheet of the Company at the date of application of FRS 101, meaning in this instance 1 January 2014).

As the consolidated financial statements of Centrica Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

2 Accounting policies (continued)

• Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value;

• Disclosures of the net cash-flows attributable to the operating, investing and financing activities of discontinued operations.

These financial statements are presented in pound sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company. Operations and transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

The financial statements are prepared on the historical cost basis except for derivative financial instruments and financial instruments designated at fair value through profit and loss on initial recognition. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised.

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 and provision of services 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 recognised on the basis of power supplied during the period. Power purchases and sales entered into to optimise the performance of power generation facilities are presented net within revenue.

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

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

Cost of sales

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

Overhaul costs

Contract work involved in replacing gas turbine components is capitalised and depreciated over their expected economic life, typically over the period to the next overhaul. Repairs and other costs that are not of a capital nature are charged directly to the income statement as incurred.

2 Accounting policies (continued)

Foreign currencies

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

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

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

Taxation

Current tax, including UK corporation tax, UK petroleum revenue tax and foreign 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 balance sheet 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 balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

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

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

2 Accounting policies (continued)

Property, plant and equipment ('PP&E')

PP&E is included in the statement of financial position at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

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

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

Depreciation

Depreciation is charged so as to write off the cost of assets as follows:

Asset class	Depreciation method and rate
Power station assets and decommissioning asset	Straight line, up to 20 years
Turbine components, other plant and machinery	Straight line, between 3 and 6 years

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

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

Inventories

Inventories are valued at the lower of cost and estimated net realisable value after allowance for redundant and slow-moving items.

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 balance sheet 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.

2 Accounting policies (continued)

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

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

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in 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.

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 amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the effective interest rate ('EIR') (although in practice the discounting is often immaterial) less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group may not be able to collect the trade receivable. 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.

2 Accounting policies (continued)

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

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

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.

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

3 Critical accounting judgements and key sources of estimation uncertainty

Decommissioning costs
The estimated cost of decommissioning of power stations is reviewed periodically and is based on price levels and technology at the balance sheet date. Provision is made for the estimated cost of decommissioning at the balance sheet date.

Impairment
The Company has material long-lived assets that are assessed or tested for impairment at each reporting date in accordance with the Company's accounting policy as disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying amounts of these assets or cash generating units are recoverable.

4 Analysis of costs by nature

	2015 Other operating costs £ 000	2014 Other operating costs £ 000
Other operating expenses	-	1,206
Administrative expenses	384	-
Total operating costs by nature	384	1,206

5 Employees' costs

The Company has no direct employees (2014: zero). However, monthly payroll costs amounting to £20,000 (2014: £271,000) were incurred during the year in respect of an average of zero (2014: three) staff providing services to Centrica Distributed Generation Limited under an employee services agreement with a Group company. Also under this agreement additional pension costs of £nil (2014: £39,000) have been incurred from the Group company.

6 Exceptional items

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

	2015 £ 000	2014 £ 000
Decommissioning costs	(412)	631
Profit on disposal of fixed assets	-	(1,100)
	(412)	(469)

Revision to abandonment estimate

In 2015 the cost to decommission the remainder of the site was re-evaluated which resulted in a £(412,000) reversal of unused provision. In 2014, as a result of the decision to demolish the power station, an increase in the provision was required for additional costs, resulting in an exceptional charge to the Income statement of £631,000 in 2014.

Profit on disposal of Fixed assets

In 2014, as a result of the decommissioning of the Power station, proceeds were received for the sale of the residual scrap metal resulting in a profit on disposal of £1,100,000 in 2014.

7 Net finance income/cost

Finance income

	2015 £ 000	2014 £ 000
Interest income from amounts owed by group undertakings	767	564

7 Net finance income/cost (continued)

Finance interest

	2015 £ 000	2014 £ 000
Unwind of discount on decommissioning provisions	-	(55)
Net finance income	767	509

8 Directors' remuneration

The aggregate emoluments paid to directors in respect of their qualifying services were £18,176 (2014: £66,701) and the aggregate value of company contributions paid to a pension scheme in respect of Directors' qualifying services were £1,768 (2014: £6,493).

There were two Directors (2014: three) to whom retirement benefits are accruing under a defined benefit pension scheme. There was one director (2014: two) to whom retirement benefits are accruing under money purchase pension schemes. Three directors (2014: three) received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme and two directors (2014: three) exercised share options relating to the ultimate parent company. All of these costs were borne by other Centrica group companies.

The prior year figures for aggregate emoluments paid to directors and Company contributions to pension schemes have been amended since the 2014 statutory accounts were finalised. This was due to a change in the method of allocation of emoluments to Group entities, as well as the inclusion of certain payments and allowances owed to directors.

The prior year emoluments have been restated to £66,701 (previsouly disclosed £63,748).

The prior year pension contributions figures have been restated to £6,493 (previously disclosed £6,416).

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.

	2015 £ 000	Restated 2014 £ 000
Audit of the financial statements	34	23

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 Statements of its ultimate parent, Centrica Plc.

The prior year figures for auditors' remuneration have been amended to reflect the allocation of fees in relation to the audit of the IFRS Group consolidation schedules, for the purpose of the Centrica plc group audit. The prior year auditors' remuneration figure has been restated to £23,000 (previously disclosed £8,000).

10 Income tax

Tax charged/(credited) in the income statement

	2015 £ 000	2014 £ 000
Current taxation		
UK corporation tax at 20.25% (2014: 21.5%)	(104)	(351)
UK corporation tax adjustment to prior periods	7	-
	(97)	(351)
Deferred taxation		
Arising from origination and reversal of temporary differences - UK	160	142
Arising from changes in tax rates and laws	60	58
Deferred tax previously not recognised	-	(980)
Total deferred taxation	220	(780)
Tax expense/(credit) in the income statement	123	(1,131)

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

	2015 £ 000	2014 £ 000
Profit/(loss) before tax	795	(228)
Tax expense at standard UK rate 20.25% (2014: 21.5%)	161	(49)
Effects of:		
Net expenses non-deductible for tax purposes	(103)	(1,133)
Increase (decrease) in current tax from adjustment for prior periods	7	-
Increase (decrease) from transfer pricing adjustments	(2)	(7)
Deferred tax expense (credit) relating to changes in tax rates or laws	60	58
Total income tax expense/(credit)	123	(1,131)

The main rate of corporation tax was reduced to 20% from 1 April 2015. Further reductions were enacted by Finance (No.2) Act 2015 to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These enacted reduced rates of corporation tax have been reflected within these Financial Statements. A further reduction in the rate, to 17% from 1 April 2020, was substantively enacted as part of Finance Act 2016 and is not reflected in the financial statements. As such, the previously enacted rate of 18% from 1 April 2020 will not come into effect. The impact of the reduction in the corporate tax rate to 17% on the financial statements is not expected to be significant.

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:

Deferred tax movement during the year:

	At 1 January 2015 £ 000	Recognised in income £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	780	(220)	560

Deferred tax movement during the prior year:

	At 1 January 2014 £ 000	Recognised in income £ 000	At 31 December 2014 £ 000
Accelerated tax depreciation	-	780	780

There are £786,000 of deductible temporary differences (2014 - £1,296,000) for which no deferred tax asset is recognised in the statement of financial position.

Certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is an analysis of the gross deferred tax balances and associated offsetting balances for financial reporting purposes:

	2015 Assets £ 000	2014 Assets £ 000
Gross deferred tax balances crystallising within one year	124	220
Gross deferred tax balances crystallising after one year	436	560
	560	780
Net deferred tax balances (after offsetting for financial reporting purposes)	560	780

11 Property, plant and equipment

	Land and buildings £ 000	Total £ 000
Cost or valuation		
At 1 January 2015	1,029	1,029
At 31 December 2015	1,029	1,029
Accumulated depreciation		
At 1 January 2015	549	549
At 31 December 2015	549	549
Carrying amount		
At 31 December 2015	480	480
At 31 December 2014	480	480

12 Trade and other receivables

	2015 Current £ 000	2014 Current £ 000
Amounts owed by group undertakings	26,800	26,338
Prepayments	6	7
Other receivables	-	475
	26,806	26,820

Included within the amounts owed by Group undertakings is a net receivable of £26,697,000 (2014: £25,987,000) consisting of interest bearing and non-interest bearing balances to the same Group undertaking. The interest bearing balance comprises of a receivable of £28,724,000 (2014: £28,664,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The non-interest bearing balance comprises of a payable of £2.045,000 (2014: £2,677,000). These two balances are netted, resulting in a net receivable of £26,697,000 (2014: £25,987,000). The quarterly rates ranged between 2.36% and 2.88% per annum during 2015 (2014: 1.69% and 1.90%).

Also included within the amounts owed by Group undertakings is a corporation tax receivable of £103,000 (2014: £351,000).

13 Trade and other payables

	2015 Current £ 000	2014 Current £ 000
Trade payables	4	24
Accrued expenses	62	294
	66	318

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

14 Other provisions

	Restructuring £ 000	Decommissioning £ 000	Total £ 000
At 1 January 2015	214	1,286	1,500
Unused provision reversed	-	(412)	(412)
Provisions used	(66)	(88)	(154)
At 31 December 2015	148	786	934
Current liabilities	148	786	934

15 Capital and reserves

Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
Ordinary Shares of £1 each	2	2	2	2

16 Parent and ultimate parent undertaking

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

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

17 Events after the financial period

In June, a UK referendum resulted in a vote for the country to leave the European Union and the resultant uncertainty adds to the challenges for UK businesses in all sectors. This uncertainty may lead to volatility in markets with potential fluctuations in foreign exchange rates, interest rates and commodity prices. Sensitivity analysis associated with the Group's exposure to currency, interest rate and commodity price risk was included in note S3 of the Group's consolidated Financial Statements for the year ended 31 December 2015.

Overall, management assesses the direct impacts on the Company to be minimal in the short term. The Company's focus is now on understanding what the result means for energy and other material business regulations over time and how this would impact the competitiveness of the European energy markets. The UK is a major energy importer and what happens in the European energy market will ultimately impact energy consumers in the UK. The Company does not export its products and services to EU countries nor does it have material exposure to currency risks.

18 Transition to FRS 101

As stated in the 'basis of preparation' note, these are the Company's first Financial Statements prepared in accordance with FRS 101. The accounting policies set out in the policies note have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the 'Company's date of transition').

In preparing its FRS 101 balance sheet, the Company has not been required to adjust any amounts reported previously in its financial statements prepared in accordance with its old basis of accounting (UK GAAP).