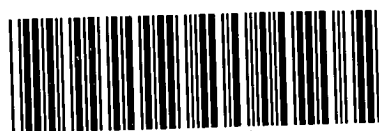


Registration number: 05283117

Caythorpe Gas Storage Limited  
Annual Report and Financial Statements  
for the Year Ended 31 December 2021

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# **Caythorpe Gas Storage Limited**

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# **Caythorpe Gas Storage Limited**

## **Company Information**

### **Directors**

M R Scargill  
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**

05283117

## **Caythorpe Gas Storage Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The Directors present their report and the audited financial statements for Caythorpe Gas Storage Limited (the "Company") for the year ended 31 December 2021.

#### **Directors of the Company**

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

M R Scargill

G C McKenna (Resigned 5 August 2021)

T R Thomsen

#### **Principal activities**

The Company previously held assets for the potential development of a gas storage facility at the Caythorpe site. In 2013 the Company decided not to proceed with the Caythorpe Gas Storage Project, due to continuing challenging market conditions for storage projects. As a result, in 2013, the full carrying value of these projects was impaired and a full provision made for related commitments and onerous contracts.

Due to unfavourable market conditions, a final investment decision was reached in 2018 and the project has been deemed unviable. The project has moved into its decommissioning phase with the Directors initiating a programme of decommissioning, which has been substantially completed.

#### **Results and dividends**

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2021 is £nil (2020: profit of £314,000).

No dividends were paid during the year (2020: £nil) and the Directors do not recommend the payment of a final dividend (2020: £nil).

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

The Company meets the requirements of a small entity under part 15 of the Companies Act 2006 sections 414A and 415A, and therefore the Company has taken the exemption from disclosing further information in line with the business review and strategic report requirements.

#### **Future developments**

A final investment decision was reached in 2018, and the project has been deemed unviable. The project has moved into its decommissioning phase which is expected to be completed in 2022.

#### **Key performance indicators ('KPIs')**

Given the nature of the business, the Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business, given that the development has moved into the decommissioning phase.

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

#### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 38-46 of the Group's Annual Report and Accounts 2021, which does not form part of this report.

## **Caythorpe Gas Storage Limited**

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

#### **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.

#### **Exposure in terms of liquidity risk and cash flow risk**

Exposure to 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.

#### **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.

#### **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 any 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 Group going concern assessment as at 31 December 2021 is based upon the Group Annual Plan for 2022 and the longer-term strategic forecast for 2023 and 2024. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including asset performance, commodity prices, weather and competitive pressures creating disruption in our customer-facing markets. Important context to the going concern assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. As at 31 December 2021, the Group had total committed credit facilities of £4.8 billion, of which £0.4 billion expires in 2024 and the remaining £4.4 billion expires in 2025. The undrawn committed facilities as at 31 December 2021 were £3.0 billion in addition to total liquid resources of £3.6 billion.

The full Centrica Group results were released on 24th February 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet is much stronger than 2020, with a positive cash position of £0.7 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £948 million.

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.

## **Caythorpe Gas Storage Limited**

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

#### **Directors' and officers' liability**

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

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

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

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

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

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

#### **Disclosure of information to auditors**

Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's 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.

#### **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.

## **Caythorpe Gas Storage Limited**

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

Approved by the Board on 27 July 2022 and signed on its behalf by:



Ruth Odih

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

Company registered in England and Wales, No. 05283117

Registered office:

Woodland House

Woodland Park

Hessle

United Kingdom

HU13 0FA

## **Caythorpe Gas Storage Limited**

### **Independent auditor's report to the member of Caythorpe Gas Storage Limited**

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

##### **Opinion**

In our opinion the financial statements of Caythorpe Gas Storage Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its result 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 11.

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.



## **Caythorpe Gas Storage Limited**

### **Independent auditor's report to the member of Caythorpe Gas Storage Limited (continued)**

#### **Other information (continued)**

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

We have nothing to report in this regard.

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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 documentation of their policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory 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 internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## **Caythorpe Gas Storage Limited**

### **Independent auditor's report to the member of Caythorpe Gas Storage 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, internal audit and in-house legal counsel 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

## **Caythorpe Gas Storage Limited**

### **Independent auditor's report to the member of Caythorpe Gas Storage Limited (continued)**

#### **Use of our report**

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

*D. Winstone*

Daryl Winstone (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
28 July 2022

## Caythorpe Gas Storage Limited

### Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000's	2020 £ 000's
Operating income	4	-	314
<b>Operating profit</b>		-	<b>314</b>
<b>Profit before tax</b>		-	<b>314</b>
Tax charge	7	-	-
<b>Profit for the year</b>		-	<b>314</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 13 to 20 form an integral part of these financial statements.

# Caythorpe Gas Storage Limited

## Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000's	2020 £ 000's
<b>Current liabilities</b>			
Provision for liabilities and charges	8	(168)	(316)
		<u>(168)</u>	<u>(316)</u>
<b>Net current liabilities</b>		<u>(168)</u>	<u>(316)</u>
<b>Total assets less current liabilities</b>		<u>(168)</u>	<u>(316)</u>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	8	(40)	(34)
		<u>(40)</u>	<u>(34)</u>
<b>Net liabilities</b>		<u>(208)</u>	<u>(350)</u>
<b>Equity</b>			
Share capital	9	-	-
Capital contribution reserve	9	35,109	34,967
Retained losses	9	<u>(35,317)</u>	<u>(35,317)</u>
<b>Total shareholder deficit</b>		<u>(208)</u>	<u>(350)</u>

The financial statement on pages 10 to 20 were approved and authorised for issue by the Board of Directors on 27 July 2022 and signed on its behalf by:



.....  
M R Scargill  
Director

Company number 05283117

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

# **Caythorpe Gas Storage Limited**

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

	<b>Share capital £ 000's</b>	<b>Capital contribution reserve £ 000's</b>	<b>Retained losses £ 000's</b>	<b>Total equity £ 000's</b>
At 1 January 2021	-	34,967	(35,317)	(350)
Profit for the year	-	-	-	-
Capital contribution received	-	142	-	142
<b>At 31 December 2021</b>	<b>-</b>	<b>35,109</b>	<b>(35,317)</b>	<b>(208)</b>

	<b>Share capital £ 000's</b>	<b>Capital contribution reserve £ 000's</b>	<b>Retained losses £ 000's</b>	<b>Total equity £ 000's</b>
At 1 January 2020	-	4,554	(35,631)	(31,077)
Profit for the year	-	-	314	314
Capital contribution received	-	30,413	-	30,413
<b>At 31 December 2020</b>	<b>-</b>	<b>34,967</b>	<b>(35,317)</b>	<b>(350)</b>

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

# **Caythorpe Gas Storage Limited**

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

### **1 General information**

Caythorpe Gas Storage 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 Director's 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.

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

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

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

- Amendments to IFRS 17 and IFRS 4: 'Insurance Contracts' - deferral of IFRS9; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2.

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

#### **Summary of disclosure exemptions**

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

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

## **Caythorpe Gas Storage Limited**

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

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

##### **Measurement convention**

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

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.

##### **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 Group going concern assessment as at 31 December 2021 is based upon the Group Annual Plan for 2022 and the longer-term strategic forecast for 2023 and 2024. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including asset performance, commodity prices, weather and competitive pressures creating disruption in our customer-facing markets. Important context to the going concern assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. As at 31 December 2021, the Group had total committed credit facilities of £4.8 billion, of which £0.4 billion expires in 2024 and the remaining £4.4 billion expires in 2025. The undrawn committed facilities as at 31 December 2021 were £3.0 billion in addition to total liquid resources of £3.6 billion.

The full Centrica Group results were released on 24th February 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet is much stronger than 2020, with a positive cash position of £0.7 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £948 million.

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

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

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

##### **Taxation**

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

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



## **Caythorpe Gas Storage Limited**

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

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

##### **Taxation (continued)**

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

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

##### **Decommissioning costs**

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

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and given the assets have been impaired, the corresponding entry is charged to the income statement. As decommissioning is substantially complete by the end of 2021, there is no material effect of the discounting.

##### **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 finance costs.

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.

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

##### **- 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.

## **Caythorpe Gas Storage Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (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 considered to be relevant. Actual results may differ from these estimates.

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

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

The following are critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### **Application of going concern**

The Directors have considered the factors affecting the Company's status as a going concern, given the project has been deemed unviable and the decommissioning has substantially been completed by the year end date. The Company has been deemed to be a going concern as a result of both the financial support provided by its ultimate parent company, Centrica Plc and the ongoing requirement to monitor the decommissioned wells.

#### **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 8)**

The Company estimates the cost of decommissioning the wells and site based on reviews carried out by qualified third parties. A number of assumptions and estimates are taken by the third parties around the timing and extent of work and availability of key services. Provision is made for the estimated cost of decommissioning at the balance sheet date. The majority of the future remaining decommissioning costs are expected to be paid during 2022.

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 2021 is 0.0% (2020: 0.0%).

## **Caythorpe Gas Storage Limited**

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

#### **4 Analysis of operating (income)/costs by nature**

	<b>2021</b>	<b>2020</b>
	<b>£ 000's</b>	<b>£ 000's</b>
Operating costs	-	16
Gain from changes in onerous lease contract provisions	-	(60)
Revision to decommissioning provisions	-	(270)
Total operating costs/(income) by nature	-	<b>(314)</b>

#### **5 Employee costs**

The Company has no employees (2020: nil) and no staff costs (2020: nil).

The Directors were remunerated as employees of the Centrica plc Group and did not receive any remuneration, from any source, specifically 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.

#### **6 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.

	<b>2021</b>	<b>2020</b>
	<b>£ 000's</b>	<b>£ 000's</b>
Audit fees	6	5

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.

## Caythorpe Gas Storage Limited

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

#### 7 Income tax

Tax (charged)/credited in the Income Statement

	2021 £ 000's	2020 £ 000's
<b>Current taxation</b>		
UK corporation tax at 19% (2020: 19%)	-	-
Total current income tax	-	-

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

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

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

	2021 £ 000's	2020 £ 000's
Profit before tax	-	314
Tax on profit at standard UK corporation tax rate of 19% (2020: 19%)	-	60
<b>Effects of:</b>		
Increase from effect of expenses not deductible in determining taxable profit	56	321
Decrease from transfer pricing adjustments	(1)	(1)
Amounts not recognised	(55)	(380)
Total tax (charge)/credit	-	-

## Caythorpe Gas Storage Limited

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

#### 8 Provisions for other liabilities

	<b>Decommissioning £ 000's</b>	<b>Total £ 000's</b>
At 1 January 2021	350	350
Capital contributions received (note 9)	(142)	(142)
At 31 December 2021	208	208
Non-current liabilities	40	40
Current liabilities	168	168

#### **Decommissioning**

The estimated cost of decommissioning at the end of the life of the storage facilities is based on independent engineering estimates.

Provision is made for the net present value of the estimated cost of decommissioning at the Statement of Financial Position date. The discount rate used to calculate the net present value is estimated using a risk-free rate for corporate bond of 0.0% (2020: 0.0%).

During the prior year, the Company's parent company Centrica Storage Holdings Limited agreed to pay for the decommissioning works carried out at the Caythorpe site on behalf of the Company. The Company has recognised the amounts paid in the both the current and prior years as capital contributions (note 9).

## Caythorpe Gas Storage Limited

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

#### 9 Capital and reserves

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

	2021		2020	
	No.	£	No.	£
Ordinary shares of £0.01 each	1	0.01	1	0.01

##### Share capital

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

##### Retained losses

The balance classified as retained losses 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.

##### Capital contribution reserve

	£ 000's
At 1 January 2021	34,967
Contributions received in the year – decommissioning (note 8)	142
At 31 December 2021	35,109

During the year, the Company received capital contributions from its parent Centrica Storage Holdings Limited, to allow it to complete the decommissioning required for the Caythorpe site.

The capital contribution reserve is non-distributable.

#### 10 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.

#### 11 Parent and ultimate parent undertaking

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

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

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