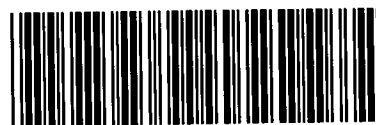


Registration number: 05283117

Caythorpe Gas Storage Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2022

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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 2022

The Directors present their report and the audited financial statements for Caythorpe Gas Storage Limited (the "Company") 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
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 was moved into its decommissioning and close out phase with the decommissioning element being completed in the year, with the project moving into the close out.

Results and dividends

The results of the Company are set out on page 10. The loss for the financial year ended 31 December 2022 is £305,000 (2021: £nil).

No dividends were paid during the year (2021: £nil) and the Directors do not recommend the payment of a final dividend (2021: £nil).

Review of the business

The Company meets the requirements of a small entity under part 15 of the Companies Act 2006 sections 414B 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 close out phase which is expected to be completed in 2024.

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 close out 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 26-27 of the Group's Annual Report and Accounts 2022, 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 28-33 of the Group's Annual Report and Accounts 2022, which does not form part of this report.

Caythorpe Gas Storage Limited

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

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.

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.

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.

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.

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.

Caythorpe Gas Storage Limited

Directors' Report for the Year Ended 31 December 2022 (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 Annual Report and the financial statements in accordance with applicable 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 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 2022 (continued)

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. 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 2022 and of its loss 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 12.

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. 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 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.

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)

We discussed among the audit engagement team including 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.

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 take advantage of the small companies' exemptions 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 FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2023

Caythorpe Gas Storage Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000's	2021 £ 000's
Operating costs	4	(305)	-
Operating loss		(305)	-
Loss before tax		(305)	-
Tax charge	7	-	-
Loss for the year		(305)	-

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 2022

	Note	2022 £ 000's	2021 £ 000's
Current liabilities			
Provision for liabilities and charges	8	(200)	(168)
		(200)	(168)
Net current liabilities		(200)	(168)
Total assets less current liabilities		(200)	(168)
Non-current liabilities			
Provisions for liabilities and charges	8	(200)	(40)
		(200)	(40)
Net liabilities		(400)	(208)
Equity			
Share capital	9	-	-
Capital contribution reserve	9	35,222	35,109
Retained losses	9	(35,622)	(35,317)
Total shareholder deficit		(400)	(208)

The financial statement on pages 10 to 20 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 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 2022

	Share capital £ 000's	Capital contribution reserve £ 000's	Retained losses £ 000's	Total equity £ 000's
At 1 January 2022	-	35,109	(35,317)	(208)
Loss for the year	-	-	(305)	(305)
Capital contribution received	-	113	-	113
At 31 December 2022	-	35,222	(35,622)	(400)

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

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 2022

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 but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemption has been taken.

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 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;
- 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 2022 (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 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.

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.

Caythorpe Gas Storage Limited

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

2 Accounting policies (continued)

Taxation (continued)

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

Deferred tax 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 was completed by the end of 2022, 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 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 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.

Key sources of estimation uncertainty

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

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on reserves, price levels and technology at the balance sheet date. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities, but are currently anticipated to be incurred until 2024.

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 unchanged at 1% (2021: 1%).

Caythorpe Gas Storage Limited

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

4 Analysis of operating costs by nature

	2022 £ 000's	2021 £ 000's
Operating costs	(400)	-
Revision to decommissioning provisions	95	-
Total operating costs by nature	<u>(305)</u>	<u>-</u>

5 Employee costs

The Company has 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, 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.

	2022 £ 000's	2021 £ 000's
Audit fees	<u>7</u>	<u>6</u>

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 2022 (continued)

7 Income tax

Tax (charged)/credited in the Income Statement

	2022 £ 000's	2021 £ 000's
Current taxation		
UK corporation tax at 19% (2021: 19%)	-	-
Total current income tax	-	-

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

The UK corporation tax rate for the year ended 31 December 2022 is 19% which has been effective since 1 April 2017. Legislation increasing the corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021. Deferred taxes at 31 December 2022 have been measured using this enacted tax rate and reflected in these financial statements.

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
Loss before tax	(305)	-
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	(58)	-
Effects of:		
Increase from effect of expenses not deductible in determining taxable loss	25	56
Decrease from transfer pricing adjustments	(1)	(1)
Amounts not recognised	34	(55)
Total tax (charge)/credit	-	-

Caythorpe Gas Storage Limited

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

8 Provisions for other liabilities

	Decommissioning £ 000's	Other £ 000's	Total £ 000's
At 1 January 2022	208	-	208
Charged to the Income Statement:			
- Provision revision	(95)	400	305
Capital contributions received (note 9)	(113)	-	(113)
At 31 December 2022	-	400	400
Non-current liabilities	-	200	200
Current liabilities	-	200	200

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 1.0% (2021: 0.0%).

In 2020, 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).

Other

The company has recognised a provision for a number of liabilities identified during the close out phase of the project. These liabilities are expected to be settled during 2023 and 2024.

The Company's parent company Centrica Storage Holdings Limited has agreed to pay for the liabilities arising through the close out phase on behalf of the Company. There was no capital contribution in the year (2021: £nil).

Caythorpe Gas Storage Limited

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

9 Capital and reserves

Allotted, called up and fully paid shares

	2022		2021	
	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 2022	35,109
Contributions received in the year – decommissioning (note 8)	113
At 31 December 2022	35,222

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.

12 Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Centrica plc. The registered address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.