Registration number: 05782908

Centrica Hive Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Centrica Hive Limited

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Centrica Hive Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for Centrica Hive Limited (the 'Company') for the year ended 31 December 2021.

Principal activity

The principal activities of the Company are the development of a software platform and associated hardware products, together with the sale of Hive Smart thermostats and other connected Hive products and services. This assists our customers in the areas of home energy management, smart monitoring, remote diagnostics and home automation.

Section 172(1) Statement

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

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

General confirmation of Directors' duties

Directors are fully aware of and understand their statutory duties under the Companies Act, 2006. Day to day authority is delegated to executives, and the Directors are supported by management in setting, approving and overseeing the execution of the business strategy and related policies. The executives consider the Company's activities, such as reviewing financial and operational performance, business strategy, key risks, stakeholder-related matters, governance, and legal and regulatory compliance and make decisions.

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

(a) The likely consequences of any decision in the long term: Centrica plc is conscious that decisions made by all Group companies could have an impact on other stakeholders where relevant. By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Group aims to ensure that the decisions of all Group companies, including the Company, are consistent and appropriate in all circumstances. An example of this is the management of margin cash, which the business has to operate within limits set by the Group. The Directors have particularly considered this when evaluating agreements to be entered into by the Company, such as documentation in connection with acquisitions, disposals and parent company guarantees. Another example is that the EV charging was integrated into our Hive Smart Home platform which supports our customers advance towards net zero.

Decisions regarding payment of any dividends by subsidiary companies of Centrica plc are taken at a Group level based upon the expertise and professional guidance of the Group's financial controllers, taking into account a range of factors, including: the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in the Company; and the expectations of the ultimate parent company's shareholders as a supplier of long-term equity capital to the Company.

(b) The interests of the company's employees: The Directors recognise that employees within the Group are fundamental to the future growth and the success of Centrica and therefore consider the interests of the Company's employees by applying the applicable Group policies.

(c) The need to foster the company's business relationships with suppliers, customers and others: Centrica plc recognises the benefits for all Group companies of engaging with a broad range of stakeholders and that developing and delivering the Group's strategy depends on building and maintaining constructive relationships. In ensuring the Company fosters the business relationships with suppliers, customers and others, the Company and its Directors are therefore supported by the overarching programme of extensive engagement with such stakeholders that is conducted across the wider Centrica Group. The breadth of stakeholder considerations in our operating or commercial trading companies is set out on pages 8 to 9 of Centrica plc's Annual Report and Accounts 2021.

(d) The impact of the company's operations on the community and the environment: Centrica plc appreciates that collaboration with charities and community groups helps to create stronger communities and provides insights that enable the Group to understand the impact of all Group companies on the community and environment, and the consequences of its decisions in the long term. In ensuring the Company takes into account the impact of its operations on the community and the environment, the Company and its Directors are supported by the overarching programme of extensive engagement with the community and wider environment that is conducted across the wider Centrica Group. Further information about how the Centrica Group engages with communities and NGOs can be found on pages 30 to 31 of Centrica plc's Annual Report and Accounts 2021.

(e) The desirability of the company maintaining a reputation for high standards of business conduct: The Board adheres to Centrica Group's "Our Code" code of conduct which all Centrica Group employees are subject to setting out the high standards and behaviours we expect from those that work for us or with us.

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

Culture

The Company's culture is set by the Group and embedded in all we do. Further information on the Group's culture can be found on pages 26 to 36 of Centrica plc's Annual Report and Accounts 2021.

Review of the business

The results of the Company for the year, as set out on page 12, show a loss before income tax for the year of £48,736,000 (2020: £152,725,000). Exceptional items of £673,000 were incurred in the year (2020: £80,525,000).

As at 31 December 2021, the Company had net liabilities of £462,507,000 (2020: £413,961,000). Net current liabilities at 31 December 2021 were £469,133,000 (2020: £418,382,000).

In December 2021 the business reviewed its activities to ensure alignment to the wider business unit strategy, and to reflect changes in the external market. It approved the cessation of the HomeShield proposition (cameras and motion sensors) and adjusted down the valuation of certain ranges due to changes in market, impacting stock holding values. The Core activity within Centrica Hive will continue to be focussed around the Platform, which is key to Centrica's wider Net Zero propositions.

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.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 38-43 of the Group's Annual Report and Accounts 2021, which does not form part of this report.

Key performance indicators ('KPIs')

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 14-15 of the Group's Annual Report and Accounts 2021, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 4.

Future developments

The company will continue to provide a software platform and associated hardware products, together with the sale of Hive Smart thermostats and other connected Hive products and services.

Approved by the Board on 28/09/2022 and signed on its behalf by:

Samantha Hood

....

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

Company registered in England and Wales, No. 05782908

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

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

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

A C Lenza

M J Bateman (resigned 18 February 2022)

The following director was appointed after the year end:

A D Middleton (appointed 18 February 2022)

Results and dividends
The results of the Company are set out on page 12. The loss for the financial year ended 31 December 2021 is £48,034,000 (2020: loss £151,466,000).

The Company did not pay an interim dividend during the year (2020: £nil) and the Directors do not recommend the payment of a final dividend (2020: £nil).

The financial position of the Company is presented in the Statement of Financial Position on page 14. Net liabilities at 31 December 2021 were £462,507,000 (2020: £413,961,000).

Financial risk management

Financial risk management policy
The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk
Risk of financial loss due to exposure to market movements on hardware price risk arises in the normal course of business. Strategies to manage the risk include hedging, long lead time purchases, regular supplier evaluations and contract renegotiations, as appropriate.

Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business and is managed within parameters set by the Directors.

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Exposure to credit risk is limited predominantly to exposure with other Group companies or arises in the normal course of operations as a result of the potential for a customer to default on their payable balance. In the case of business customers, credit risk is managed by checking a company's creditworthiness and financial strength both before commencing to trade and during a business relationship. An ageing of receivables is monitored and used to manage the exposure to credit risk.

Cash forecasts identifying the liquidity requirements of the Company are produced and reviewed periodically. Liquidity risk is managed through funding arrangements with Group undertakings.

Exposure in terms of financial assets and reporting risks
The Company has material amounts of internally generated intangible assets capitalised in the prior and current years. The Company makes judgements in considering the cost capitalised and assessing whether those costs remain recoverable based on their continued utilisation to generate economic benefit.

The Company has material long-lived assets that are assessed for impairment at each reporting date. The Company makes judgements and estimates in considering whether the carrying amounts of these assets are recoverable. The key assets that are subjected to impairment tests are internally generated software development costs and goodwill.

During the year, impairment of £317,000 (2020: £71,777,000) was recognised in the income statement, of which £561,000 (2020: £nil) related to tangible fixed assets and £(244,000) (2020: £69,728,000) to internally generated software.

Employee engagement
The Group's Board acknowledges that employee engagement is critical to our success. Further information on employee engagement can be found on page 9 of the Group's Annual Report and Accounts 2021.

Centrica seeks to create an environment where each employee can reach their full potential and be at their best, and we can retain and develop the best talent to continue to deliver for our stakeholders. During the year in review, the Group spent more time than ever before listening to colleagues and acting on what we heard. We also launched our Shadow Board this year, which comprises colleagues from across the business and in different locations. They are empowered to influence decisions, positively disrupt assumptions, challenge the thinking of the Centrica Leadership Team, and advocate for colleague-centred decision-making. Further information on how we listen to our colleagues can be found on page 4 of the Group's Annual Report and Accounts 2021.

The ultimate parent Company remains committed to employee involvement throughout the business and regularly consult colleagues to ensure we take account of their views in decision making. Colleagues are encouraged to participate via questions and are kept well informed of the performance and strategy, throughout the year, including financial and economic, of the Group and other matters of concern through personal briefings, a Group-wide intranet, regular meetings, town halls, email and broadcasts by the Group Chief Executive, Group Chief Finance Officer and members of the Centrica Leadership team at key points in the year.

Employees
The Company remains committed to employee involvement throughout the business.

The Group's all-employee share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. The Company offers Sharesave (HMRC's Save As You Earn Scheme), the Conditional Share Incentive Plan (CSIP) and the Restricted Share Scheme (RSS), with good levels of take-up in these Group schemes across the Company.

The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion, to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

It is our policy that people with disabilities should have full and fair consideration for all vacancies. During the year, we continued to demonstrate our commitment to interviewing those people with disabilities who fulfil the minimum criteria, and endeavour to retain employees in the workforce if they become disabled during employment.

Safety is the top priority of the Group. We will continue to build safety capability across the business to keep our employees, customers and others who are affected by our activities safe.

Future developments

Future developments are discussed in the Strategic Report on page 3.

Research and development

As in prior years, research and development ('R&D') mainly comprised two distinct work streams. The first was the further development of the software platform. The second was research into other potential revenue generating activities, both in terms of hardware and software development and in terms of data analytics from data gathered from the software platform.

Where the R&D expenditure meets the criteria for recognition as an intangible asset, the costs have been capitalised. All other expenditure has been expensed in the year, either within salary costs for internal staff, or within R&D expenditure for external costs.

Going concern

The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

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

Events after the reporting period

There have been no non-adjusting significant events affecting the Company after the year end.

Directors' and officers' liability

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

Statement of Directors' Responsibilities

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

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

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

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

Disclosure of information to auditors

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

Auditors

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

Approved by the Board on ....28/09/2022....................and signed on its behalf by:

Samantha Hood

....

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

Company Secretary

Company registered in England and Wales, No. 05782908

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire

SL4 5GD

United Kingdom

Independent Auditors' Report to the Members of Centrica Hive Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Centrica Hive 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 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 Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 26.

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.

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Centrica Hive Limited

Independent Auditors' Report to the Members of Centrica Hive 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

Date: 28/9/22 ....

Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000	(As restated) 2020 £ 000
Revenue	4	45,746	48,527
Cost of sales	6	(29,876)	(33,255)
Gross profit		15,870	15,272
Operating costs	6	(45,348)	(70,431)
Exceptional items - restructuring costs	8	(356)	(8,748)
Exceptional items - impairment	8	(317)	(71,777)
Other operating income	5	-	165
Operating loss		(30,151)	(135,519)
Finance income	9	1,003	2,632
Finance costs	9	(19,588)	(19,838)
Net finance cost		(18,585)	(17,206)
Loss before taxation		(48,736)	(152,725)
Taxation on loss	12	702	1,259
Loss for the year		(48,034)	(151,466)

The above results were derived from continuing operations.

The restatement in 2020 includes the disposal of Intangible assets, including a £174,000 credit to Depreciation expense in Operating costs. Additionally there was a re-analysis of Other operating costs in note 6, in order to provide greater clarity on the nature of costs. The result was that Recharges, Advertising and marketing costs and Computing/network costs are shown separately from Other Operating costs, with a net zero impact on Total operating costs.

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	(As restated) 2020 £ 000
Loss for the year		(48,034)	(151,466)
Items that will be or have been reclassified to the Income Statement			
(Loss)/gain on cash flow hedges (net)		(9)	150
Other comprehensive expense		(9)	150
Total comprehensive expense for the year		(48,043)	(151,316)

Centrica Hive Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	(As restated) 2020 £ 000
Non-current assets			
Property, plant and equipment	13	88	755
Intangible assets	14	4,075	1,920
Deferred tax assets	12	2,493	1,772
Investments	15	20	20
		6,676	4,467
Current assets			
Trade and other receivables	16	24,446	30,881
Inventories	17	18,504	30,786
Current tax assets		52	52
		43,002	61,719
Total assets		49,678	66,186
Current liabilities			
Trade and other payables	19	(511,173)	(478,786)
Derivative financial instruments		-	(45)
Provisions for other liabilities and charges	20	(960)	(1,270)
Borrowings	18	(2)	-
		(512,135)	(480,101)
Net current liabilities		(469,133)	(418,382)
Total assets less current liabilities		(462,457)	(413,915)
Non-current liabilities			
Provisions for other liabilities and charges	20	(50)	(46)
		(50)	(46)
Total liabilities		(512,185)	(480,147)
Net liabilities		(462,507)	(413,961)
Equity			
Share capital	22	2,030	2,030
Share premium		47,383	47,383
Retained earnings		(512,822)	(464,788)
Cash flow hedging reserve		(417)	(333)
Share-based payments reserve		1,319	1,747
Total equity		(462,507)	(413,961)

The notes on pages 18 to 41 form an integral part of these financial statements.

Centrica Hive Limited

Statement of Financial Position as at 31 December 2021 (continued)

The restatement in 2020 includes the disposal of Intangible assets, including a £174,000 credit to Retained earnings. Additionally the Provision for rebates on accrued income is being disclosed separately from Accrued income in note 16.

The financial statements on pages 12 to 41 were approved and authorised for issue by the Board of Directors on

28/09/2022
.... and signed on its behalf by:

....
A C Lenza
Director

Company number 05782908

Centrica Hive Limited

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

	Share capital £ 000	Share premium £ 000	Cash flow hedge reserve £ 000	Share-based payments reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021	2,030	47,383	(333)	1,747	(464,788)	(413,961)
Loss for the year	-	-	-	-	(48,034)	(48,034)
Other comprehensive expense	-	-	(9)	-	-	(9)
Total comprehensive expense	-	-	(9)	-	(48,034)	(48,043)
Deferred tax on share based payment transactions	-	-	-	18	-	18
Transfers to assets and liabilities from cash flow hedge reserve	-	-	(75)	-	-	(75)
Exercise of awards	-	-	-	123	-	123
Value of shares provided	-	-	-	(569)	-	(569)
At 31 December 2021	2,030	47,383	(417)	1,319	(512,822)	(462,507)

The notes on pages 18 to 41 form an integral part of these financial statements.

Centrica Hive Limited

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

	Share capital £ 000	Share premium £ 000	Cash flow hedge reserve £ 000	Share-based payments reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	2,030	47,383	(14)	2,265	(313,322)	(261,658)
Loss for the year	-	-	-	-	(151,466)	(151,466)
Other comprehensive income	-	-	150	-	-	150
Total comprehensive expense	-	-	150	-	(151,466)	(151,316)
Deferred tax on share based payment transactions	-	-	-	3	-	3
Transfers to assets and liabilities from cash flow hedge reserve	-	-	(469)	-	-	(469)
Exercise of awards	-	-	-	(902)	-	(902)
Value of shares provided	-	-	-	381	-	381
At 31 December 2020	2,030	47,383	(333)	1,747	(464,788)	(413,961)

The notes on pages 18 to 41 form an integral part of these financial statements.

1 General information

Centrica Hive Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 3.

2 Accounting policies

Basis of preparation
The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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

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

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

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

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

2 Accounting policies (continued)

- disclosures in respect of capital management.

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

- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;
- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company; and
- disclosures of the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

Measurement convention

The financial statements have been prepared on the historical cost basis except for: investments in subsidiaries that have been recognised at deemed cost on transition to FRS 101 and the carrying value of recognised assets and liabilities qualifying as hedged items in fair value hedges that have been adjusted from cost by the changes in the fair values attributable to the risks that are being hedged.

Departures from requirements of the Companies Act and their financial impact

The Company has used a true and fair override in respect of the non-amortisation of goodwill.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the Directors, its useful economic life. However, under IFRS 3 'Business Combinations' goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability. Goodwill was fully impaired in 2019. See note 14.

Exemption from preparing group accounts

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate controlling company, Centrica plc.

2 Accounting policies (continued)

Going concern

The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

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

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

The Company earns revenue from contracts with customers in relation to both one-off product sales and recurring subscription revenue from the provision of services. Contracts for one-off sales typically include three performance obligations, being the supply, delivery and installation of hardware. Revenue is recognised once these performance obligations have been fulfilled and control has passed to the customer. This takes place at a point in time for each obligation. The Company offers a right of return for hardware purchased under some contracts; a liability is recognised for the expected value of hardware to be returned, with a corresponding asset recognising the return of inventory.

Contracts including subscription services may be contracted separately, or in combination with the one-off product sale identified above. Subscription services constitute a separate performance obligation which is satisfied over time and revenue is recognised as the customer benefits from the service provided.

For both one-off product sales and subscription services, the transaction price is determined based on a commercial decision to create a proposition that is competitively priced. Revenue is shown net of sales/value added tax, returns, rebates and discounts and is recognised when the significant control is considered to have been transferred to the buyer. Revenue is recognised on an accruals basis. Amounts paid in advance are treated as contract liabilities, with any amount in arrears recognised as contract assets.

2 Accounting policies (continued)

COVID-19 Support Schemes

As a result of the economic impacts of the COVID-19 pandemic, a number of government programmes have been put into place to support businesses and consumers. Examples of such initiatives include the UK's Coronavirus Job Retention Scheme. In accounting for the impacts of these measures, the Company has applied IAS 20: 'Government grants'. Grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them, and that the grant will be received. Government grants are recognised in the Income Statement on a systematic basis over the periods in which the related costs that they are intended to compensate are recognised. Grants related to income are reported as Other Income in the Income Statement. Government grants received in advance of the Company meeting the criteria for recognition in the Income Statement are deferred and presented within Trade and other payables. There is no impact of this policy on prior periods.

During the year the Company recognised an amount totalling £nil (2020: £165,000) receivable under the UK Government's Coronavirus Job Retention Scheme. This has been presented as Other Income in the Income Statement.

In February 2022 the Centrica Plc Group repaid the cash received under this scheme.

Finance income

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.

Employee share schemes

The Centrica plc group, to which the Company belongs, operates a number of employee share schemes, detailed in the Remuneration Report on pages 71-81 and in note S2 to the Group financial statements, under which it makes equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non-market based vesting conditions). The fair value determined at the grant date is expensed on a straight-line basis in the Income Statement together with a corresponding increase in equity over the vesting period, based on the Centrica plc group's estimate of the number of awards that will vest, and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using methods appropriate to each of the different schemes detailed in note S2 of the Group financial statements.

The Company share of the Group schemes is accounted for in equity (see note 23).

Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the Income Statement. Items which may be considered exceptional in nature include disposals of businesses, business restructuring, significant onerous contract charges and asset write-downs/impairments.

Further information on Exceptional items can be found in note 8 on page 30, as well as note 7 of the Group financial statements.

2 Accounting policies (continued)

Financing costs
Financing costs that arise in connection with the acquisition, construction or production of a qualifying asset are capitalised and subsequently amortised in line with the depreciation of the related asset. Financing costs are capitalised from the time of acquisition or from the beginning of construction or production until the point at which the qualifying asset is ready for use. Where a specific financing arrangement is in place, the specific borrowing rate for that arrangement is applied. For non-specific financing arrangements, a financing rate representative of the weighted average borrowing rate is used. Financing costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed.

Foreign currencies
Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the Company at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the reporting date, and associated gains and losses are recognised in the Income Statement for the year, 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 'finance 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 foreign currency denominated monetary securities 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.

2 Accounting policies (continued)

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.

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.

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.

Business combinations, goodwill and 'internal re-organisations'

The acquisition of assets that constitute a business is accounted for using the acquisition method (at the point the Company gains control over a business as defined by IFRS 3 'Business combinations'). The cost of the acquisition is measured as the cash paid and the aggregate of the fair values, at the date of exchange, of other assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date. Goodwill arising on a business combination represents the excess of the consideration transferred and the acquisition date fair value of any previously held interest in the acquiree over the Company's interest in the fair value of the identifiable net assets acquired.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Certain subsequent changes to the amount within 12 months are treated as an adjustment to the cost of the acquisition.

Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5: 'Non-current assets held for sale and discontinued operations', which are recognised and measured at fair value less costs of disposal.

Goodwill is not subject to amortisation after the transition to FRS 101 but is tested for impairment.

On disposal of a business, any amount of goodwill attributed to that business is included in the determination of the profit or loss on disposal.

2 Accounting policies (continued).

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets in a business combination is the fair value at the date of acquisition. Intangible assets include patents, application software and development costs, the accounting policies for which are dealt with separately below.

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

Capitalisation begins when expenditure for the asset is being incurred and activities necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Amortisation commences at the point of commercial deployment. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

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

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the intangible asset could be impaired, either individually or at the cash generating unit ('CGU') level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

For details of the impairment recognised in the income statement in the year, see the Directors' Report on page 5. For details of the amounts of key assets which are subject to impairment tests, see note 14.

Amortisation

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

Asset class	Amortisation method and rate
Acquired software development costs	Straight line, up to 6 years
Internally generated software development costs	Straight line, up to 5 years
Trademarks, patents and licences	Straight line, up to 5 years

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.

PP&E is 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.

2 Accounting policies (continued)

Depreciation of PP&E
The depreciation periods for the principal categories of assets are as follows:

Asset class	Depreciation method and rate
Furniture, fittings and equipment	Straight line, over 3 years

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.

Assets held as right-of-use assets are depreciated over their expected useful lives on the same basis as for owned assets, or where shorter, the lease term.

Investments in subsidiaries
Fixed asset investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Inventories
Inventories are valued at the lower of cost and estimated net realisable value after allowance for redundant and slow-moving items. Cost is calculated using the weighted average method.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Income Statement within interest expense.

Pensions and other post-employment benefits
The Company's employees participate in a number of the Group's defined benefit pension schemes. As the Company's share of the Group's defined benefit pension scheme surplus or deficit cannot be accurately calculated, the Company's contributions to the Group's defined benefit pension schemes are accounted for as a defined contribution scheme in the Company's financial statements. The Company's contributions to the Group's defined benefit pension schemes are recognised in the Company's Income Statement as they fall due.

The Company's share of the Group's payments to defined contribution retirement benefit schemes are recognised in the Company's Income Statement as they fall due.

2 Accounting policies (continued)

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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use ('VIU') 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 CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

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. An impairment loss in respect of goodwill shall not be reversed in a subsequent period. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

For details of the impairment recognised in the income statement in the year, see the Directors' Report on page 5. For details of the amounts of key assets which are subject to impairment tests, see note 14.

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.

- 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 the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for expected credit losses.

- Trade and other payables

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

2 Accounting policies (continued)

- Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

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

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, 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.

In the Directors' opinion there are no key sources of uncertainty.

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.

Capitalisation of intangible assets
The Company has material amounts of internally generated intangible assets capitalised in the prior and current years. The Company makes judgements in considering the cost capitalised and assessing whether those costs remain recoverable based on their continued utilisation to generate economic benefit.

Impairment of intangible assets
The Company has material long-lived assets that are assessed for impairment at each reporting date. The Company makes judgements and estimates in considering whether the carrying amounts and residual useful life reflect the expected future of these assets.

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

Defined benefit pension schemes

The Company's employees participate in a number of the Group's defined benefit pension schemes. As the Company's share of the Group's defined benefit pension scheme surplus or deficit cannot be accurately calculated, the Company's contributions to the Group's defined benefit pension schemes are accounted for as a defined contribution scheme in the Company's financial statements. The Company's contributions to the Group's defined benefit pension schemes are recognised in the Company's Income Statement as they fall due. The Company's share of the Group's payments to defined contribution benefit schemes are recognised in the Company's Income Statement as they fall due

4 Revenue

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

	2021 £ 000	2020 £ 000
Sale of goods	29,997	43,102
Subscription income	15,749	5,425
	45,746	48,527

The analysis of the Company revenue for the year from continuing operations by geography (based on location of customer) is as follows:

	2021 £ 000	2020 £ 000
United Kingdom	45,307	47,618
Rest of the world	439	909
	45,746	48,527

5 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2021 £ 000	2020 £ 000
Cost recovery via Coronavirus government support programmes	-	165

COVID-19 Support Schemes

During the year the Company recognised an amount totalling £nil million (2020: £165,000) receivable under the UK Government's Coronavirus Job Retention Scheme. This has been presented as Other Income in the Income Statement.

In February 2022 the Centrica Plc Group repaid the cash received under the scheme.

6 Analysis of costs by nature

	2021			2020 (As restated)		(As restated)
	Cost of sales £ 000	Operating costs £ 000	Total costs £ 000	Cost of sales £ 000	Operating costs £ 000	Total costs £ 000
Foreign exchange gains	-	44	44	-	67	67
Employee costs	-	(8,204)	(8,204)	-	(18,791)	(18,791)
Depreciation, amortisation, impairment and write-downs	-	(458)	(458)	-	(18,200)	(18,200)
Hardware and installation costs	(29,876)	-	(29,876)	(33,255)	-	(33,255)
Computing/network costs	-	(9,435)	(9,435)	-	(9,687)	(9,687)
Recharges	-	(12,115)	(12,115)	-	(6,384)	(6,384)
Impairment of trade receivables	-	883	883	-	(1,400)	(1,400)
Loss on disposal	-	(147)	(147)	-	(134)	(134)
Advertising and marketing	-	(4,902)	(4,902)	-	(13,687)	(13,687)
Other operating costs	-	(11,014)	(11,014)	-	(2,215)	(2,215)
Total costs by nature	(29,876)	(45,348)	(75,224)	(33,255)	(70,431)	(103,686)

The restatement in 2020 includes the disposal of Intangible assets, including a £174,000 credit to Depreciation expense in Operating costs. Additionally there was a re-analysis of Other operating costs in order to provide greater clarity on the nature of costs. The result was that Recharges, Advertising and marketing costs and Computing/network costs are shown separately from Other Operating costs, with a net zero impact on Total operating costs.

7 Employees' costs

The disclosures in this note reflect the costs and number of all Centrica plc Group employees that work in the Centrica Hive Limited business regardless of whether they have a contract of employment with Centrica Hive Limited or another Group company. The Directors believe that the disclosures given on this basis are the fullest representation of the cost borne by the Company and of the number of employees working in the business.

The aggregate employee costs (including Directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	(7,111)	(14,849)
Social security costs	(727)	(1,890)
Pension and other post-employment benefits	(934)	(1,857)
Share-based payment credit/(expenses)	568	(195)
	(8,204)	(18,791)

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Administration and support	77	61
Product development and sales	64	163
	141	224

8 Exceptional items

The following exceptional items were recognised in arriving at operating loss for the reporting year:

	2021 £ 000	2020 £ 000
Exceptional items - restructuring costs	(356)	(8,748)
Exceptional items - impairment	(317)	(71,777)
	(673)	(80,525)

Exceptional items include £135,000 (2020: £1,265,000) of costs as a result of the decision to no longer invest in geographies outside of the UK and Ireland and to focus propositions on Heating and Home Monitoring.

£(244,000) (2020: £71,777,000) relates to impairment of goodwill and intangible assets as a result of impairment reviews performed following the strategic shift in the business.

£561,000 (2020: £nil) relates to impairment of tangible fixed assets.

The remainder of restructuring costs represent a share of costs incurred in the transformation of the Group Shared Services function. This includes redundancy payments, consultancy and costs associated with implementing global information technology systems.

9 Net finance cost

Finance income

	2021 £ 000	2020 £ 000
Interest income from amounts owed by Group undertakings	647	1,246
Interest income on bank deposits	-	582
Dividend income	196	-
Net foreign exchange gains on financing transactions	159	804
Other finance income	1	-
Total finance income	1,003	2,632

Finance cost

	2021 £ 000	2020 £ 000
Interest on amounts owed to Group undertakings	(19,588)	(19,836)
Other finance costs	-	(2)
Total finance costs	(19,588)	(19,838)
Net finance cost	(18,585)	(17,206)

10 Directors' remuneration

The Directors were remunerated as employees of Centrica plc Group and did not receive any remuneration, from any source, for their services as Directors of the Company during the current or preceding financial year. Accordingly, no details in respect of their emoluments have therefore been included in these financial statements.

11 Auditors' remuneration

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

	2021 £ 000	2020 £ 000
Audit fees	(41)	(41)

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

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

12 Income tax

Tax credited in the Income Statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	6
Deferred taxation		
Origination and reversal of temporary differences	246	1,067
Changes in tax rates	556	66
Adjustment in respect of prior period	(100)	120
Total deferred taxation	702	1,253
Taxation on loss	702	1,259

The UK rate of corporation tax for the year to 31 December 2021 was 19% (2020: 19%). The corporation tax was due to increase to 25% with effect from 1 April 2023. However, on 23 September 2022 the Government announced that the rate of corporation tax will remain at 19%. At 31 December 2021, the deferred tax balances included in these financial statements are based on the enacted increased rate of corporation tax having regard to their reversal profiles. When the legislation changing the rate of corporation tax from 25% to 19% rate is substantively enacted the deferred tax balances will be £556,000 lower.

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

	2021 £ 000	(As restated) 2020 £ 000
Loss before tax	(48,736)	(152,725)
Tax on loss at standard UK corporation tax rate of 19% (2020: 19%)	9,260	29,018
(Decrease)/increase from adjustment for prior periods	(100)	126
Increase from effect of revenues exempt from taxation	44	52
Decrease from effect of expenses not deductible in determining tax loss	(41)	(46)
Increase/(decrease) from effect of exercise employee share options	119	(14)
Decrease arising from group relief tax reconciliation	(9,462)	(30,441)
Increase from transfer pricing adjustments	325	2,498
Deferred tax credit relating to changes in tax rates or laws	557	66
Total tax credit	702	1,259

12 Income tax (continued)

Deferred tax

The movements in respect of the deferred income tax assets that occurred during the financial year are as follows:

	Financial instruments £000	Fixed assets £000	Temporary difference trading £000	Other items £000	Total £ 000
1 January 2021	5	1,116	573	78	1,772
Credited to the Income Statement	(1)	252	551	-	802
Credited to equity	-	-	19	-	19
Prior period adjustments	-	7	(179)	72	(100)
31 December 2021	4	1,375	964	150	2,493

	Financial instruments £000	Fixed assets £000	Temporary difference trading £000	Other items £000	Total £ 000
1 January 2020	6	454	91	(35)	516
Credited to the Income Statement	(1)	655	474	5	1,133
Credited to other comprehensive income	-	-	3	-	3
Prior period adjustments	-	7	5	108	120
31 December 2020	5	1,116	573	78	1,772

There is £44,264,000 of trading losses (2020: £44,264,000) and £294,000 of other temporary differences (2020: £381,000) for which no deferred tax asset is recognised in the Statement of Financial Position.

13 Property, plant and equipment

	Furniture, fittings and equipment £ 000
Cost	
At 1 January 2021	13,155
Additions	61
Disposals and surrenders	(1,390)
At 31 December 2021	11,826
Accumulated depreciation	
At 1 January 2021	(12,400)
Charge for the year (i)	(20)
Disposals and surrenders	1,243
Impairment (ii)	(561)
At 31 December 2021	(11,738)
Net book value	
At 31 December 2021	88
At 31 December 2020	755

(i) Depreciation charges are recognised within operating costs in the Income Statement.
(ii) Impairment charges are recognised within exceptional items in the Income Statement.

14 Intangible assets

	Goodwill £ 000	Internally generated software development costs £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	13,065	143,258	156,323
Additions and capitalised borrowing costs	-	2,349	2,349
At 31 December 2021	13,065	145,607	158,672
Amortisation			
At 1 January 2021	(13,065)	(141,338)	(154,403)
Amortisation (i)	-	(438)	(438)
Impairment (ii)	-	244	244
At 31 December 2021	(13,065)	(141,532)	(154,597)
Carrying amount			
At 31 December 2021	-	4,075	4,075
At 31 December 2020	-	1,920	1,920

(i) Amortisation charges are recognised within operating costs in the Income Statement.
(ii) Impairment charges are recognised within exceptional items in the Income Statement.

The opening balance of Internally generated software development costs include a restatement for the disposal of certain assets that resulted in an increase in £174,000 in the opening net book value of Internally generated software development costs.

Individually material intangible assets
The maximum remaining useful economic life of the individually material assets within Internally generated software development costs is three years. This represents the Hive software platform and its subsequent enhancements, which has a carrying value of £1,287,000 (2020: £1,716,000).

Goodwill acquired through business combinations, and indefinite-lived intangible assets, have been allocated for impairment testing purposes to individual CGUs representing the lowest level at which the goodwill or indefinite-lived intangible asset is monitored for internal management purposes.

Goodwill and indefinite life intangible assets related to Connected Home was fully impaired in 2019.

15 Investments

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2021	20
At 31 December 2021	20
Net book value	
At 31 December 2021	20

Details of the subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	**Principal activity**	**Registered office**	**Holding**	**Proportion of ownership interest and voting rights held 2021**	**2020**
Alertme.com GmbH	Non-trading	Thomas-Wimmer-Ring 1-3, 80539, Munich Germany	Ordinary shares	100%	100%
Centrica Hive Srl (i)	Energy management products and services	Via Paleocapa Pietro 4, 20121, Milano Italy	Ordinary shares	100%	100%
Alertme.com Inc.(ii)	Non-trading	1521 Concord Pike #303, Wilmington, DE 19803 United States	Ordinary shares	0%	0%

(i) On 29 January 2020 the Company acquired 100% of the ordinary shares of Centrica Hive Srl, a company registered in Italy.

(ii) Alertme.com Inc was dissolved on 10 September 2021.

16 Trade and other receivables

	2021	2020 (As restated)
	Current £ 000	Current £ 000
Trade receivables	6,809	14,650
Amounts owed by Group undertakings	12,991	11,888
Accrued income	3,563	2,488
Provision for rebates on accrued income	(771)	(671)
Prepayments	488	1,353
Other receivables	1,366	1,173
	24,446	30,881

The amounts owed by Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis. All amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

The restatement in 2020 serves to disclose the Provision for rebates on accrued income, separately from Accrued income.

17 Inventories

	2021 £ 000	2020 £ 000
Finished goods and goods for resale	18,504	30,786

The Company consumed £28,872,000 of inventories (2020: £27,626,000) during the year. Write-downs amounting to £5,691,000 (2020: £7,570,000) were charged to the Income Statement in the year, of which £nil (2020: £996,000) are disclosed as Exceptional items - restructuring costs.

There is no significant difference between the replacement cost of inventories and their carrying amounts.

18 Loans and borrowings

	2021 £ 000	2020 £ 000
Bank overdrafts	(2)	-

19 Trade and other payables

	2021 Current £ 000	2020 Current £ 000
Trade payables	(12,488)	(9,291)
Accrued expenses	(10,392)	(17,496)
Amounts owed to Group undertakings	(483,634)	(447,974)
Social security and other taxes	(490)	(918)
Contract liabilities	(4,169)	(3,107)
	(511,173)	(478,786)

The amounts owed to Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis. Included within the net amounts owed by Group undertakings disclosed above is ££482,297,000 (2020: £381,024,000) payable to Centrica plc, which consists of a gross payable of £500,903,000 (2020: £395,249,000) and a gross receivable of £18,606,000 (2020: £14,225,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.61% and 4.23% per annum during 2021 (2020: 4.42% and 4.73%) for GBP balances, 3.69% and 4.41% per annum during 2021 (2020: 4.60% and 5.87%) for USD balances and 2.99% and 3.66% per annum during 2021 (2020: 3.53% and 3.93%) for EUR balances. The other amounts payable to associated group companies are interest-free. All amounts payable to the parent company and associated group companies are unsecured and repayable on demand.

20 Provisions for other liabilities and charges

	Restructuring £ 000	Employee benefits (i) £ 000	Other provisions (ii) £ 000	Total £ 000
At 1 January 2021	(497)	(264)	(555)	(1,316)
Charged to the Income Statement	(663)	(28)	-	(691)
Unused provision reversed to the Income Statement	233	99	35	367
Provisions used	147	13	520	680
Transfers from Group undertakings	-	(50)	-	(50)
At 31 December 2021	(780)	(230)	-	(1,010)
Non-current liabilities	-	(50)	-	(50)
Current liabilities	(780)	(180)	-	(960)

(i) Employee benefits consist of national insurance on the Company's share of Group share based payments.

(ii) Other provisions of £nil are in respect of deferred consideration (2020: £35,000). Other provisions of £nil (2020: £520,000) are in respect of costs to host, maintain and service the current North American and European customer book for the remainder of the warranty period.

21 Post-retirement benefits

(a) Defined benefit pension schemes
The Company's employees participate in a number of Group defined benefit pension schemes. Information on these schemes is provided in note 22 to the Group financial statements. The Company is unable to accurately identify its share of the overall pension scheme surplus or deficit and therefore accounts for the schemes as if they were a defined contribution scheme. Contributions payable of £93,000 (2020: £48,000) were recognised as an expense payable in the Income Statement.

(b) Defined contribution pension scheme
The cost charged to the Income Statement of £841,000 (2020: £1,809,000) represents the Company's share of contributions due to the scheme by the Group at rates specified in the rules of the scheme.

22 Capital and reserves

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.060 each	33,837	2,030	33,837	2,030

Share premium
Consideration transferred in excess of the nominal value of ordinary shares is allocated to share premium.

Accumulated losses
The balance classified as accumulated 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 reporting date.

Other reserves
Other reserves are the share-based payments reserve which reflects the obligation to deliver shares to employees under the existing share schemes in return for services provided to the Company.

23 Share-based payments

Employee share schemes are designed to encourage participants to align their objectives with those of shareholders. The Company participates in several employee share schemes which gave rise to a credit of £(568,000) (2020: charge of £195,000) which is shown under operating costs in the Income Statement and £nil (2020: £187,000) shown under exceptional costs in the Income Statement. The schemes that Centrica Hive employees participated in are described below.

Conditional Share Incentive Plan (CSIP)
Awards under CSIP (previously known as On Track Incentive Plan) are available to Senior Executives, senior and middle management. The number of shares awarded is dependent on annual targets for individual targets and business unit financial performance. These shares vest subject to continued employment within the Group in two stages: half after two years, the other half after three years. Leaving prior to the vesting date will normally mean forfeiting rights to the unvested share awards.The fair value of the awards is the market price of the shares at the date of the award.

Sharesave
Under Sharesave, the Group Board may grant options over shares in Centrica plc to all UK-based employees of the Group. To date, the Board has approved the grant of options with a fixed exercise price equal to 80% of the average market price of the shares for the three days prior to invitation which is three to four weeks prior to the grant date. Employees pay a fixed amount from salary into a savings account each month, and may elect to save over three and/or five years. At the end of the savings period, employees have six months in which to exercise their options using the funds saved. If employees decide not to exercise their options, they may withdraw the funds saved, and the options expire six months after maturity. Exercise of options is subject to continued employment within the Group except where permitted by the rules of the scheme. The fair value of employee share options is measured using the Black-Scholes model.

Restricted Share Scheme (RSS)
Participation in RSS is determined on a case by case basis, at the discretion of management, and in 2021 an award was given to employees who otherwise would have been eligible for a cash bonus under the CSIP scheme, known as the Retention Share Award. These shares vest subject to continued employment within the Group in two stages: half after two years, the other half after three years. Leaving prior to the vesting date will normally mean forfeiting rights to the invested share awards. The fair value of the awards is the market price of the shares on the date of the award.

Fair value is measured using methods appropriate to each of the different schemes detailed in note S2 of the Group financial statements.

24 Commitments and contingencies

	2021 £ 000	2020 £ 000
Other commitments	13,790	6,967
	13,790	6,967

Included within other commitments are stock purchase commitments of £13,790,000 (2020: £6,967,000) and other commitments of £nil (2020: £nil). Stock purchase commitments will unwind over periods up to 12 months.

25 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.

26 Parent and ultimate parent undertaking

The immediate parent undertaking is GB Gas 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.

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