

Registration number: 08355344

# Centrica Business Solutions UK Optimisation Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



## **Centrica Business Solutions UK Optimisation Limited**

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## **Centrica Business Solutions UK Optimisation Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The Directors present their Strategic Report for Centrica Business Solutions UK Optimisation Limited (the 'Company') for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of the Company was that of the implementation and management of REstore demand response aggregation systems for "partner" commercial business in the UK and to supply the UK Capacity Market.

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

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

The financial position of the company is presented in the Statement of Financial Position on page 11. Total equity as at 31 December 2019 was £(1,112,710) (2018: £(787,463)). The operating loss for the financial year ended 31 December 2019 was £(193,472) (2018: £(105,493)). The increased operating loss in 2019 is primarily due to a significant fall in the frequency response market. This reduced the achievable optimisation revenue and associated margin for our customer portfolio.

#### **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 34-43 of the Group's Annual Report and Accounts 2019, which does not form part of this report.

#### **Exit from the European Union**

The UK's exit from the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. It is unclear whether a trade deal will be agreed with the European Union during 2020 or the transition period will end without terms being agreed. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

#### **Impact of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) outbreak and coronavirus disease (COVID-19) pandemic**

On 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. Following United Kingdom government measures in response to the pandemic the Group became subject to a significant change in business environment, as well as implementing a number of significant operational changes in order to be able to continue to serve and support our customers. There are no significant changes in the business environment or operational changes specific to the Company in carrying out its principal activities.

The events described above arose after the Company's balance sheet date, and therefore there is no impact on the results or financial position of the Company as at 31 December 2019. The Company is supported by the Group, which has stated that it intends to support the Company for a period of 12 months from the date the financial statements were authorised for issue. The Directors have assessed that while there are a range of future potential financial impacts upon the Group as a result of the pandemic, they have satisfied themselves that the Group will be able to support the Company if required under a reasonable worst case scenario. See the Going Concern section of the Directors' Report on page 4.

## **Centrica Business Solutions UK Optimisation Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

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

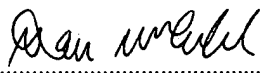
Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the Company are net assets and profit after tax, and these are shown above.

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 18-19 of the Group's Annual Report and Accounts 2019, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

#### **Future developments**

On 11 June 2020, Centrica announced plans for a significant restructure designed to create a simpler, leaner group focused on improved service delivery for customers. The revised operating model is expected to accelerate the delivery of targeted cost savings and lead to a reduction of around 5,000 roles across the Group. The majority of the restructuring is expected to take place in the second half of 2020 after necessary consultations on the proposals have been concluded. The restructure will benefit the longer term value of the business, future operating profits and maintenance of a strong capital position of the Group. The Company would not expect to be materially impacted by the restructure but due to uncertainties arising from the consultation process it is not possible to quantify the effect at this time.

Approved by the Board on 16/12/2020 and signed on its behalf by:



Alan McCulloch

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

Company registered in England and Wales, No. 08355344

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

## **Centrica Business Solutions UK Optimisation Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

#### **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 K Barlow

P J Mermans (resigned 31 October 2020)

P M Zimmerman (appointed 1 September 2019)

C R Pike (resigned 1 September 2019)

J W Rombouts (resigned 17 November 2019)

The following director was appointed after the year end:

J Hartley - Director (appointed 31 October 2020)

#### **Results and dividends**

The results of the Company are set out on page 10. The loss for the financial year ended 31 December 2019 is £325,247 (2018: profit £12,871).

The Company did not pay an interim dividend during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend (2018: £nil).

#### **Objectives and policies**

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

#### **Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk**

Exposure to counterparty credit risk, liquidity risk and cash flow risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with Group undertakings.

#### **Future developments**

Future developments are discussed in the Strategic Report on page 2.

## **Centrica Business Solutions UK Optimisation Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Going concern**

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to 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 to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2 April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments were paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

#### **Non adjusting events after the financial period**

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore the consequences of such interventions represent non-adjusting post balance sheet events. The Company has no critical judgements or key sources of estimation uncertainty at the balance sheet date which could have been subsequently affected by these events. There have been no further 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.

## **Centrica Business Solutions UK Optimisation Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom 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.

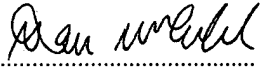
#### **Auditors**

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.

**Centrica Business Solutions UK Optimisation Limited**

**Directors' Report for the Year Ended 31 December 2019 (continued)**

Approved by the Board on 16/12/2020 and signed on its behalf by:



Alan McCulloch

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

Company registered in England and Wales, No. 08355344

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire

SL4 5GD

United Kingdom



## **Centrica Business Solutions UK Optimisation Limited**

### **Independent Auditors' Report to the Members of Centrica Business Solutions UK Optimisation Limited**

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

##### **Opinion**

In our opinion the financial statements of Centrica Business Solutions UK Optimisation Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 17.

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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Centrica Business Solutions UK Optimisation Limited**

### **Independent Auditors' Report to the Members of Centrica Business Solutions UK Optimisation Limited (continued)**

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

#### **Responsibilities of Directors**

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

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

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

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

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

#### **Report on other legal and regulatory requirements**

##### **Opinion on other matter 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.

## **Centrica Business Solutions UK Optimisation Limited**

### **Independent Auditors' Report to the Members of Centrica Business Solutions UK Optimisation Limited (continued)**

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

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

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

**D. Winstone**

Daryl Winstone FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

Date: **16/12/20**

## **Centrica Business Solutions UK Optimisation Limited**

### **Income Statement for the Year Ended 31 December 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
Revenue	4	1,295,496	2,451,992
Cost of sales	5	<u>(945,762)</u>	<u>(1,905,247)</u>
Gross profit		349,734	546,745
Operating costs	5	<u>(543,206)</u>	<u>(652,238)</u>
Operating loss		<u>(193,472)</u>	<u>(105,493)</u>
Finance income	7	1,247	-
Finance costs	7	<u>(47,411)</u>	<u>(23,492)</u>
Net finance cost		<u>(46,164)</u>	<u>(23,492)</u>
Loss before taxation		(239,636)	(128,985)
Taxation on loss	10	<u>(85,611)</u>	<u>141,856</u>
(Loss)/profit for the year from continuing operations		<u><u>(325,247)</u></u>	<u><u>12,871</u></u>

The above results were derived from continuing operations.

There were no recognised gains and losses in either period other than those shown above and accordingly no separate Statement of Comprehensive Income has been included in the Financial Statements.

# Centrica Business Solutions UK Optimisation Limited

## Statement of Financial Position as at 31 December 2019

			(As restated)
	Note	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	11	364,463	353,784
Deferred tax assets	10	-	141,856
		<u>364,463</u>	<u>495,640</u>
<b>Current assets</b>			
Trade and other receivables	12	906,080	217,428
Cash and cash equivalents		24,452	75,908
		<u>930,532</u>	<u>293,336</u>
<b>Total assets</b>		<u>1,294,995</u>	<u>788,976</u>
<b>Current liabilities</b>			
Trade and other payables	13	(2,407,705)	(1,576,439)
<b>Net current liabilities</b>		<u>(1,477,173)</u>	<u>(1,283,103)</u>
<b>Total assets less current liabilities</b>		<u>(1,112,710)</u>	<u>(787,463)</u>
<b>Net liabilities</b>		<u>(1,112,710)</u>	<u>(787,463)</u>
<b>Equity</b>			
Share capital	14	1,000	1,000
Share premium		249,000	249,000
Retained earnings		(1,362,710)	(1,037,463)
<b>Total equity</b>		<u>(1,112,710)</u>	<u>(787,463)</u>

The financial statement on pages 10 to 25 were approved and authorised for issue by the Board of Directors on 16/12/2020 and signed on its behalf by:



J Hartley  
Director

Company number 08355344

# Centrica Business Solutions UK Optimisation Limited

## Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 January 2019	1,000	249,000	(1,037,463)	(787,463)
Loss for the year	-	-	(325,247)	(325,247)
Total comprehensive expense	-	-	(325,247)	(325,247)
At 31 December 2019	<u>1,000</u>	<u>249,000</u>	<u>(1,362,710)</u>	<u>(1,112,710)</u>

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 January 2018	1,000	249,000	(1,050,334)	(800,334)
Profit for the year	-	-	12,871	12,871
Total comprehensive income	-	-	12,871	12,871
At 31 December 2018	<u>1,000</u>	<u>249,000</u>	<u>(1,037,463)</u>	<u>(787,463)</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

## **Centrica Business Solutions UK Optimisation Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

Centrica Business Solutions UK Optimisation 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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

#### **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 International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

From 1 January 2019, the following standards and amendments are effective in the Company's Financial Statements:

- IFRS 16: 'Leases'

The impact of adoption of IFRS 16 and the key changes to the accounting policy are disclosed below.

##### **Changes resulting from adoption of IFRS 16**

##### **IFRS 16: 'Leases'**

The Company adopted IFRS 16: 'Leases' from 1 January 2019. The first-time adoption did not have any impact on the financial statements as the Company has no leases which fall under the scope of IFRS 16.

##### **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;

## **Centrica Business Solutions UK Optimisation Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

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

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

#### **Going concern**

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to 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 to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2 April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments were paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.



## **Centrica Business Solutions UK Optimisation Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

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

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

##### **Revenue recognition**

Revenue represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. All monies received from customers relate to contracts that are ultimately with the UK National Grid. The revenue is presented on a gross basis, with cost of sales separately presented for the amounts paid to flex providers.

##### **Exceptional items**

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

##### **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.

## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 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.

##### 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.

##### Depreciation of PP&E

The depreciation periods for the principal categories of assets are as follows:

Asset class	Depreciation method and rate
Plant and machinery	Straight line, over 5 years

##### Provisions

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

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

## **Centrica Business Solutions UK Optimisation Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **Impairment**

The carrying amounts of the Company's non-financial assets, other than 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 cash-generating unit ('CGU') is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

##### **Financial assets and liabilities**

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

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

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

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

Trade payables 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.

## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 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, which are described in note 2, 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 the associated assumptions are based on historical experience or other factors that are considered to be relevant. Actual results may differ from these estimates.

In the Directors' opinion there are no critical judgements or key sources of estimation uncertainty.

#### 4 Revenue

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

	2019	2018
	£	£
Capacity market revenue	672,721	525,291
Firm frequency response revenue	592,577	1,924,543
Other revenue	30,198	2,158
	<u>1,295,496</u>	<u>2,451,992</u>

All revenue arose from activities in the United Kingdom.

## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 5 Analysis of costs by nature

	2019			2018		
	Cost of sales	Operating costs	Total costs	Cost of sales	Operating costs	Total costs
	£	£	£	£	£	£
Employee costs	-	(101,065)	(101,065)	-	(367,863)	(367,863)
Depreciation	-	(103,099)	(103,099)	-	(84,749)	(84,749)
Computing/network costs	-	(45,653)	(45,653)	-	-	-
Facilities and property costs	-	(6,338)	(6,338)	-	-	-
Contractor and other staff related costs	-	(6,418)	(6,418)	-	-	-
Other cost of sales	(945,762)	-	(945,762)	(1,905,247)	-	(1,905,247)
Other operating costs	-	(280,633)	(280,633)	-	(199,626)	(199,626)
Total costs by nature	<u>(945,762)</u>	<u>(543,206)</u>	<u>(1,488,968)</u>	<u>(1,905,247)</u>	<u>(652,238)</u>	<u>(2,557,485)</u>

#### 6 Employees' costs

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

	2019	2018
	£	£
Wages and salaries	(97,372)	(359,455)
Pension and other post-employment benefits	<u>(3,693)</u>	<u>(8,408)</u>
	<u>(101,065)</u>	<u>(367,863)</u>

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

	2019	2018
	No.	No.
Management	1	4
Directors	<u>2</u>	<u>2</u>
	<u>3</u>	<u>6</u>

## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 7 Net finance income/cost

##### Finance income

	2019 £	2018 £
Interest income from amounts owed by Group undertakings	1,177	-
Interest income on bank deposits	70	-
<b>Total finance income</b>	<b>1,247</b>	<b>-</b>

##### Finance cost

	2019 £	2018 £
Interest on amounts owed to Group undertakings	(47,411)	(23,492)
<b>Total finance costs</b>	<b>(47,411)</b>	<b>(23,492)</b>
<b>Net finance income/(cost)</b>	<b>(46,164)</b>	<b>(23,492)</b>

#### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Remuneration	45,358	31,805

#### 9 Auditors' remuneration

Auditors' remuneration of £5,000 (2018: £12,000) 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.

## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 10 Income tax

Tax credited/(charged) in the Income Statement

	2019 £	2018 £
<b>Current taxation</b>		
UK corporation tax at 19% (2018: 19%)	41,830	-
UK corporation tax adjustment to prior periods	14,415	-
	<u>56,245</u>	<u>-</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(272,985)	271,165
Changes in tax rates	129,309	(129,309)
Adjustment in respect of prior period	1,820	-
Total deferred taxation	<u>(141,856)</u>	<u>141,856</u>
Taxation on profit	<u>(85,611)</u>	<u>141,856</u>

The main rate of corporation tax for the year to 31 December 2019 was 19% (2018: 19%). The corporation tax rate was due to reduce to 17% with effect from 1 April 2020. However, at the Budget on 11 March 2020 it was announced that the rate of corporation tax will remain at 19%. The deferred tax balances provided in these financial statements reflect the enacted rate of 17%; when the Finance Bill 2020 is enacted the impact on deferred tax balances is not expected to be material.

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:

	2019 £	2018 £
Loss before tax	<u>(239,636)</u>	<u>(128,985)</u>
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	45,531	24,507
Increase (decrease) in current tax from adjustment for prior periods	16,235	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	1	-
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(276,687)	246,658
Deferred tax expense (credit) relating to changes in tax rates or laws	129,309	(129,309)
Total tax (charge)/credit	<u>(85,611)</u>	<u>141,856</u>

## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 10 Income tax (continued)

##### Deferred tax

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

	Fixed assets £000	Other items £	Total £
1 January 2019	(7,984)	149,840	141,856
Charged/(credited) to the Income Statement	74	(143,750)	(143,676)
Prior period adjustments	-	1,820	1,820
31 December 2019	<u>(7,910)</u>	<u>7,910</u>	<u>-</u>

	Fixed assets £000	Other items £	Total £
Charged/(credited) to the Income Statement	<u>(7,984)</u>	<u>149,840</u>	<u>141,856</u>
31 December 2018	<u>(7,984)</u>	<u>149,840</u>	<u>141,856</u>

There is £1,456,244 of trading losses (2018: £nil) for which no deferred tax asset is recognised in the Statement of Financial Position.

#### 11 Property, plant and equipment

	Plant, equipment and vehicles £	Total £
<b>Cost</b>		
At 1 January 2019	468,626	468,626
Additions	<u>113,778</u>	<u>113,778</u>
At 31 December 2019	<u>582,404</u>	<u>582,404</u>
<b>Accumulated depreciation and impairment</b>		
At 1 January 2019	(114,842)	(114,842)
Charge for the year	<u>(103,099)</u>	<u>(103,099)</u>
At 31 December 2019	<u>(217,941)</u>	<u>(217,941)</u>
<b>Net book value</b>		
At 31 December 2019	<u>364,463</u>	<u>364,463</u>
At 31 December 2018	<u>353,784</u>	<u>353,784</u>



## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 12 Trade and other receivables

	2019	2018 (As restated)
	Current £	Current £
Trade receivables	43,899	135,628
Amounts owed by Group undertakings	89,604	-
Prepayments	8,324	4,826
Other receivables	764,253	76,974
	<u>906,080</u>	<u>217,428</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £33,041 (2018: £nil) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.20% and 4.90% per annum during 2019 (2018: 3.72% and 4.13%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

The comparative information has been restated after a review of the different categories of other receivables and other payables, to bring it in line with classification used by other entities in the Group. The changes include showing prepayments separately and matching off inter-company balances between payables and receivables.

#### 13 Trade and other payables

	2019	2018 (As restated)
	Current £	Current £
Trade payables	(27,966)	(10,406)
Accrued expenses	(1,121,136)	(801,040)
Amounts owed to Group undertakings	(1,258,221)	(764,993)
Other payables	(382)	-
	<u>(2,407,705)</u>	<u>(1,576,439)</u>

## Centrica Business Solutions UK Optimisation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 13 Trade and other payables (continued)

Included within the amounts owed by Group undertakings disclosed above is £1,210,844 (2018: £732,216) that bears interest at 5.00% per annum during 2019 (2018: 5.00%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

The comparative information has been restated after a review of the different categories of other receivables and other payables, to bring it in line with classification used by other entities in the Group. The changes include remapping balances to inter-company and matching off inter-company balances between payables and receivables.

#### 14 Capital and reserves

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

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

##### Share premium

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

##### Retained earnings

The balance classified as retained earnings includes the profits and losses realised by the Company in previous periods that were not distributed to the shareholders of the Company at the reporting date.

#### 15 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. Key management personnel and their families purchase gas and electricity from the Company for domestic purposes on terms equal to those for other employees of the Group.

#### 16 Parent and ultimate parent undertaking

The immediate parent undertaking is Centrica Business Solutions Belgium NV, a company registered in Belgium.

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

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

## **Centrica Business Solutions UK Optimisation Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **17 Non adjusting events after the financial period**

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore the consequences of such interventions represent non-adjusting post balance sheet events. The Company has no critical judgements or key sources of estimation uncertainty at the balance sheet date which could have been subsequently affected by these events. There have been no further non-adjusting significant events affecting the Company after the year end.