centrica

CENTRICA PLC PRELIMINARY RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2023

INVESTOR PRESENTATION

Centrica will hold its 2023 Preliminary Results presentation for analysts and institutional investors at 9.30am (UK) on Thursday 15 February 2024. There will be a live webcast of the presentation and slides.

Please register to view the webcast at: https://webcasts.centrica.com/centrica132

You may also listen via conference call. To register for this call and to receive a unique caller reference number, please visit: https://webcasts.centrica.com/centrica132/vip_connect

Enquiries

Investors and Analysts
+44 (0)1753 494900
ir@centrica.com

Media
+44 (0)1784 843000
media@centrica.com

Unless otherwise stated, all references to the Company shall mean Centrica plc, and references to the Group shall mean Centrica plc and all of its subsidiary undertakings and equity-accounted associate/joint venture undertakings. This announcement does not offer investment advice, and does contain forward-looking statements. The Disclaimer relating to the Preliminary results is included on page 81.

Published 7am on 15 February 2024.

CREATING VALUE FROM OUR BALANCED PORTFOLIO

- Strong 2023 financial result.
- Improved operational performance across the Group underpinning long-term health of our businesses.
- Building momentum in our disciplined green-focused growth and investment strategy.
- 2023 performance reinforces our confidence in delivering medium-term sustainable profit expectations.
- £800m of cash returned to shareholders in the year through share repurchases and dividends.

"At the start of the energy crisis we committed to contribute a material sum from British Gas Energy and Bord Gáis Energy profits to support our customers. Whilst we are starting to see material commodity price falls, today we have committed another £40 million, bringing the total voluntary customer support to £140 million, more than any other supplier. We've done a lot we can be proud of in 2023: we've paid over £1 billion in tax; we've created over 1,000 new UK based jobs as we continue to invest in customer service; and we've improved security of supply through doubling the capacity of the Rough gas storage facility, through extending the life of the Morecambe Bay gas field into the 2030s, and through investing to extend the life of our nuclear power stations. All of this has been made possible by the strong financial and operational performance across our balanced portfolio of businesses in 2023 as we deliver the strategy we set out in July.

We are pleased to report that this strong underlying operational performance has continued into early 2024. As you would expect, sharply lower commodity prices and reduced volatility will naturally lower earnings in comparison to 2023 as we return to a more normalised environment. Our performance over the past year has reinforced our confidence in delivering against our medium-term sustainable profit ambitions and continuing to create value for shareholders."

Chris O'Shea | Group Chief Executive

STRONG FINANCIAL PERFORMANCE

YEAR ENDED 31 DECEMBER	2023	2022		2023	2022
Adjusted measures			**Statutory measures**		
Operating profit (i) (ii)	**£2,752m**	£3,308m	Operating profit/(loss)	**£6,512m**	(£240m)
Basic earnings per share (i) (ii)	**33.4p**	34.9p	Basic earnings/(loss) per share (i)	**70.6p**	(13.3p)
Free cash flow	**£2,207m**	£2,487m	Net operating cash flow	**£2,752m**	£1,314m
Net cash	**£2,744m**	£1,199m	Full year dividend per share	**4.0p**	3.0p

See notes 2, 5, 9, 10 and 11 to the Financial Statements and pages 76 to 80 for an explanation of the use of adjusted performance measures.
(i) Adjusted operating profit (AOP). Earnings per share (EPS).
(ii) 2022 comparator as reported. Excluding disposed Spirit Energy Norway assets 2022 AOP was £2,823m and adjusted EPS was 34.2p.

- Adjusted operating profit (AOP) of £2.8bn slightly down on 2022 excluding disposed Spirit Energy Norway assets.
  - Retail up £0.7bn to £0.8bn including a return to profitability in British Gas Services & Solutions and material prior period cost recovery in British Gas Energy.
  - Optimisation down £0.6bn to £0.9bn with lower absolute prices and volatility in commodity markets.
  - Infrastructure down £0.2bn to £1.1bn including introduction of Electricity Generator Levy in Nuclear.
- Adjusted basic EPS slightly down to 33.4p.
- Statutory operating profit of £6.5bn including the impact of the unwind of unrealised hedge position losses from 2022. Reflecting this, statutory basic EPS increased to 70.6p (2022: loss of 13.3p).
- Free cash flow of £2.2bn (2022: £2.5bn) includes £0.2bn working capital inflow (2022: £0.7bn outflow).
- Statutory net cash flow from operating activities of £2.8bn (2022: £1.3bn) includes £0.6bn of margin cash and collateral inflow (2022: £1.2bn outflow). Margin cash posted at the end of 2023 was £0.2bn (2022: £0.8bn).
- Strong liquidity and a robust balance sheet, with closing adjusted net cash of £2.7bn (2022: £1.2bn).
- Total cash returns to shareholders of £0.8bn in the year. Full year dividend per share up 33% to 4.0p and £1bn share buyback programme due to run until July 2024.

DELIVERING FOR CUSTOMERS AND AGAINST OUR REFRESHED STRATEGY

- Committed £140m of voluntary direct support for UK and Ireland customers since the start of 2022.
- Improved operational metrics, customer satisfaction and customer retention across our Retail businesses reflecting continued investment in customer service.
  - Recruitment of 700 new UK customer contact roles to support customers.
  - Over 5m UK energy customers now migrated to our new technology platform.
- Building momentum in our targeted £600m-£800m p.a. green-focused investment plan, with 2024 capex expected to increase from 2023 level of £415m.
- Strengthening energy security of supply with life extensions for Nuclear power stations, a life extension and the granting of a carbon storage licence for Morecambe Bay, and a near doubling of Rough gas storage capacity.

A ROBUST OUTLOOK AGAINST A BACKDROP OF LESS ELEVATED COMMODITY PRICES

Overall, the progress made in 2023 has reinforced our confidence in delivering the financial ambitions set out in July 2023, including building to deliver around £800m of sustainable adjusted operating profit over the medium-term from our Retail and Optimisation activities on average each year.

Strong underlying operational performance from 2023 has continued into early 2024. As is usual at this point in the year there are a range of factors that could impact financial performance, including the weather, commodity prices and volatility, the economy, the regulatory backdrop, the competitive environment and asset performance. Therefore, there are a range of possible outcomes for the full year.

In Retail, we do not expect a repeat of the 2023 one-off benefits from cost recovery in British Gas Energy. However, the underlying performance of British Gas Energy is in line with our medium-term expectation of £150m-£250m of adjusted operating profit, and the performances of British Gas Services & Solutions and Bord Gáis in 2023 provide strong foundations to drive an improved result in both these businesses in 2024.

In addition, while lower commodity prices and reduced volatility relative to 2023 will naturally reduce optimisation opportunities in Centrica Energy (formerly Energy Marketing & Trading), Spirit Energy and Nuclear are largely protected from further commodity moves in 2024 by our rateable hedging strategy. Further details on our Spirit Energy and Nuclear hedged positions are provided on page 11.

GROUP OVERVIEW

CREATING VALUE THROUGH THE ENERGY TRANSITION

A uniquely integrated energy company delivering sustainable operating profit

In July 2023, we outlined our refreshed strategy to underpin Centrica for the future. We are a uniquely integrated energy company, with a balanced portfolio comprising Retail, Optimisation and Infrastructure activities. Each of our components complements, de-risks and adds value to other businesses, ensuring we are well placed to create value through the energy transition.

We expect to deliver around £800m of sustainable adjusted operating profit on average each year from Retail and Optimisation by 2026, underpinned by continuous improvement in operational performance which will drive customer retention and growth. We also expect to deliver further strong cash flows from Infrastructure over the medium-term.

Green-focused investment strategy, delivering net zero for us and our customers

We have commenced a disciplined, green-focused growth and investment strategy, creating long-term value for shareholders, and helping deliver net zero for Centrica by 2045 and our customers by 2050. Aligned to market trends and our advantaged positions and capabilities, we expect to build investment to £600m-£800m per year until at least 2028, primarily in customer technologies and clean flexible power assets, with over 50% of our capital expenditure expected to go into green taxonomy eligible projects. These will replace existing infrastructure assets which will naturally decline over time. As part of our investment framework, we are targeting average post-tax unlevered returns of at least 7-10% with additional Group portfolio benefit on top.

We also retain longer-term net zero aligned options for potential hydrogen and carbon capture and storage investments through our Rough and Spirit Energy assets, both of which we would only invest in if there was an appropriate risk and reward profile through the regulatory frameworks in place.

Focus on balance sheet strength and compelling shareholder returns

We will deliver this strategy while maintaining a strong balance sheet and liquidity, with the current appropriate medium-term leverage for the Group being up to 1x net debt to EBITDA. This provides us with adequate flexibility and headroom to manage volatility in energy markets, to continue to invest for the future and to maintain and grow shareholder distributions.

We remain focused on delivering compelling shareholder returns, with a progressive dividend policy and an expectation that dividend cover will move to around 2x over the coming years, supported by the sustainable core earnings of the Group. Distributions on top of the dividend will be reviewed against our revised capital allocation framework and our future outlooks.

STRONG FINANCIAL DELIVERY

Adjusted operating profit remained strong at £2.8bn, which was down 3% year-on-year when excluding the impact of profit made in 2022 from the Spirit Energy Norway assets disposed in May 2022. Statutory operating profit increased to £6.5bn (2022: £0.2bn loss) with a significant unwind of unrealised losses on hedging positions from 2022. The breakdown of operating profit is shown below:

YEAR ENDED 31 DECEMBER (£M)	2023	2022
Retail	**799**	94
British Gas Services & Solutions	47	(9)
British Gas Energy	751	72
Residential energy supply	*726*	*23*
Business energy supply	*25*	*49*
Bord Gáis Energy	1	31
Optimisation	**878**	1,444
Centrica Business Solutions	104	44
Centrica Energy (formerly Energy Marketing & Trading)	774	1,400
Infrastructure (excl. disposed Spirit Energy assets)	**1,083**	1,308
Spirit Energy (retained)	235	245
Centrica Energy Storage+	312	339
Nuclear	536	724
Colleague profit share	**(8)**	(23)
Operating profit from business performance excl. disposed Spirit Energy assets	**2,752**	2,823
Spirit Energy disposed assets	-	485
Operating profit from business performance (Adjusted operating profit)	**2,752**	3,308
Exceptional items and certain re-measurements	3,760	(3,548)
Group operating profit/(loss) (Statutory operating profit)	**6,512**	(240)

Within this, Retail profit was up, including the material recovery of costs incurred in prior periods through the regulatory price cap mechanism in British Gas Energy. In Optimisation, Centrica Energy delivered another strong performance, although profit was lower reflecting reduced commodity price volatility in 2023 when compared with 2022. Infrastructure profit was lower, reflecting the Spirit Energy Norway disposal and the introduction of the Electricity Generator Levy for Nuclear.

Reflecting the above and a reduced share count due to share repurchases over the year, adjusted basic earnings per share (EPS) was 33.4p (2022: 34.9p). Statutory EPS was 70.6p (2022: 13.3p loss).

Free cash flow (FCF) also remained strong at £2.2bn (2022: £2.5bn). This reflects lower operating profit, but also includes a net working capital inflow of £0.2bn (2022: £0.7bn outflow). We saw a £0.6bn working capital inflow in Centrica Energy as profit on 2022 derivative positions cash settled in 2023, partially balanced by a £0.5bn outflow in British Gas Energy related to the impact of falling commodity prices and the timing of payments related to government support schemes. Also within FCF, capital expenditure increased to £0.4bn (2022: £0.3bn excluding Spirit Norway), as we build momentum in our green-focused investment plan. Statutory net cash flow from operating activities was £2.8bn (2022: £1.3bn), including £0.6bn of margin cash and collateral inflow (2022: £1.2bn outflow).

Net interest payments were £0.1bn lower in 2023 than in 2022, with higher interest rates resulting in higher interest income given our net cash position. We returned £0.8bn to shareholders in the year (2022: £0.1bn) through both share buybacks and dividend payments.

Reflecting these movements, the Group had closing adjusted net cash of £2.7bn (2022: £1.2bn).

Having increased the 2023 interim dividend by 33% to 1.33p per share, we are proposing a 2023 final dividend of 2.67p per share, bringing the 2023 full year dividend to 4.0p per share (2022: 3.0p). Additionally, in July 2023 we announced an extension to the share buyback programme which started in November 2022, taking the total to £1bn. This programme is expected to run until around the end of July 2024. As at 14 February 2024 we had bought back £727m of shares since the start of the programme.

For more detail on the Group's 2023 financial performance, please see the Group Financial Review on pages 12 to 16.

ENGAGING IN REGULATORY CHANGES

The UK energy system is changing, with new market dynamics forming from the energy transition. We believe our integrated portfolio has the ability to create additional value in this changing energy system, both for our customers and our shareholders. However, a changing energy market requires regulation that continues to be fit for purpose for all stakeholders, giving full confidence in the robustness of the market and encouraging investment in the future.

We have seen a number of positive steps in this area, including Ofgem establishing new policies to speed up electricity grid connections. This will clear the path for viable projects, including those as part of our green-focused growth and investment strategy, which will enable a net zero future.

In addition, we have seen the introduction of new financial resilience requirements and a recognition from Ofgem that suppliers will be able to recover efficiently incurred costs. However, there is more that needs to be done, given consumers ultimately pay for supplier failures through future energy tariffs or taxation. We continue to advocate for well capitalised, responsible suppliers who are allowed to make an appropriate return commensurate with the inherent risks in supplying energy.

INVESTING IN INFRASTRUCTURE AND BOLSTERING UK ENERGY SECURITY

Over the past 12 months, Rough, Nuclear and Spirit Energy have all seen significant developments that will extend lives of their assets and allow them to continue to deliver significant cash flows over the medium-term.

Having re-opened Rough as a gas storage asset in the second half of 2022, capacity was nearly doubled to 54bcf in June 2023, significantly boosting the UK's energy resilience. We have also been granted a third party exemption until at least 2030.

In March 2023, it was announced that the Heysham 1 and Hartlepool nuclear power stations were to have their lives extended by two years to March 2026, with a plus or minus one year window providing much needed zero carbon baseload power generation capacity. Additionally, in January 2024 an ambition was announced to further extend the lives of Heysham 1 and Hartlepool and the other two Advanced Gas-cooled Reactor (AGR) power stations, Heysham 2 and Torness, subject to inspections and regulatory approvals. A decision on these further extensions will be taken by the end of 2024.

In Spirit Energy, the Morecambe Bay gas fields are now expected to produce into the next decade, with production having previously been planned to stop around the middle of this decade.

We have also started to build our pipeline of green-focused investment options, as part of our disciplined plan to build investment to £600m-£800m on average each year to 2028. We now have around 750MW of capacity in the detailed plans and delivery stage, compared to 600MW at July 2023. We have also begun deploying capital into the installation of smart meters as part of our meter asset provider (MAP) business, with the first British Gas smart meter installed in December 2023.

Longer term, we retain options for hydrogen and carbon capture and storage investments through our Rough and Spirit Energy assets, while we continue to review whether investment in new nuclear would be appropriate for Centrica. We have also been building nascent positions in technologies that may play a key role in helping the transition to net zero in our markets. In addition to our involvement in three hydrogen joint ventures in the UK and Ireland, in November 2023 we announced a memorandum of understanding with Mitsubishi Power Europe to explore development of Europe's first ever ammonia-fired power generation facility at our Whitegate site in Ireland.

All these provide us with long-term net zero aligned optionality, and would create thousands of skilled jobs in the UK and Ireland. However, we will remain disciplined and would only invest if the right regulatory support frameworks were in place.

OPERATIONAL, COMMERCIAL AND FINANCIAL PERFORMANCE

We expect to deliver around £800m of sustainable adjusted operating profit on average each year from Retail and Optimisation by 2026, with additional growth potential. We also expect to deliver material medium-term cash flows from Infrastructure.

Of the £800m per year, we expect UK residential energy supply to make £150m-£250m, British Gas Services & Solutions to continue to recover to £100m-£200m, Centrica Energy to make £250m-£350m, and UK business energy supply and Bord Gáis Energy to deliver combined adjusted operating profit of £100m-£200m.

In any given year the actual results by business are likely to fluctuate, so these ranges should be seen as an average over time. However, one of the key benefits of our balanced portfolio is that our businesses de-risk each other and this reinforces our confidence in the delivery of these overall profit projections.

RETAIL

In Retail, we have ramped up investment in our operations and customer service. This has resulted in improved performance metrics, with lower complaints and improving NPS scores across our businesses. Total Retail adjusted operating profit increased to £799m (2022: £94m), largely due to the material recovery of costs incurred in prior periods through the regulatory price cap mechanism in British Gas Energy.

British Gas Services & Solutions

YEAR ENDED 31 DECEMBER	2023	2022	Change
Services & Solutions customers ('000) (closing) (i)	**2,950**	3,193	(8%)
On-demand jobs ('000) (ii)	**218**	122	79%
Boiler installs ('000)	**95**	99	(4%)
Services complaints per customer (%) (iii)	**6.0%**	7.0%	(14%)
Services Engineer NPS (iv)	**71**	64	7pt
Adjusted operating profit/(loss) (£m)	**47**	(9)	nm

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.

(i) Services & Solutions customers are defined as single households having a contract or an on-demand job with British Gas Services & Solutions.

(ii) On-demand jobs are defined as Services & Repair one-off on-demand repairs, home improvements and maintenance.

(iii) Total complaints, measured as any expression of dissatisfaction where we identify material distress, inconvenience or financial loss, as a percentage of average customers over the year.

(iv) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following a gas engineer visit.

In British Gas Services & Solutions we have significantly improved our operations, as we look to stabilise our core activity of contract service and repair, whilst driving growth in on-demand and heating installs.

Operational metrics continued to improve over the year, including a halving of job reschedule rates, to 3%. This improved operational performance underpinned improved customer satisfaction, which was reflected in lower complaints and higher engineer NPS. Customer numbers were broadly stable in the second half of 2023, having fallen by 6% in the first half, which had reflected a high inflation backdrop and cost of living pressures, and the final roll-off of 'free product' customers from the portfolio. Reflecting this, revenue per customer increased from £286 to £310.

Our improved operational performance and increased engineer capacity means we can now better target the significant opportunity that exists in the on-demand and heating installation markets. Reflecting this, on-demand customers increased to 201,000 and on-demand jobs increased to 218,000, up 75% and 79% on 2022 respectively. We also grew our market share and margins in boiler installations in a declining market, underpinned by more innovative commercial offerings.

Adjusted operating profit was £47m (2022: £9m loss), with improved productivity allowing better margin capture in the core contract service and repair and installation businesses, and lower pension costs. These positive impacts were partially offset by the impacts of lower average customer numbers and ongoing inflationary cost pressures.

British Gas Energy

YEAR ENDED 31 DECEMBER	2023	2022	Change
Residential energy customers ('000) (closing) (i)	**7,529**	7,516	0%
Small business customer sites ('000) (closing)	**552**	480	15%
Energy complaints per customer (%) (ii)	**13.3%**	14.4%	(8%)
Energy Touchpoint NPS (iii)	**17**	13	4pt
Cost per residential energy customer (excl. bad debt) (£)	**91**	83	10%
Adjusted operating profit (£m)	**751**	72	943%

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.

(i) Residential energy customers are defined as single households buying energy from British Gas.

(ii) Total complaints, measured as an expression of dissatisfaction in line with submissions made to Ofgem, as a percentage of average customers over the year.

(iii) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas Energy following contact.

In British Gas Energy, we continue to invest in strengthening our operational foundations to drive innovation, retention and better customer outcomes in order to underpin long-term profit sustainability.

The number of residential customers remained broadly flat over the year, as price competition remained low in the market and suppliers competed more on service and brand. The number of small business customers increased by 15% in the year.

In line with our strategy we have invested further in customer service, including the hiring of 700 additional contact centre colleagues. Reflecting this, we saw lower complaints and a higher NPS, and improving these metrics further will remain a focus. The NPS is higher for customers who are on our new platform, and we continue to make good progress on customer migration. A further 2m customers were migrated in the second half of 2023, taking the total to over 5m and we aim for our customers migration to the new platform to be substantially complete by 2025.

Reflecting our investment in customer service and migration, our annualised cost per residential energy customer (excluding bad debt) increased by £8, including a £4 increase from dual running IT costs. When combined, the impact from incremental investment in service and from total dual running IT costs was around £100m in 2023.

Adjusted operating profit increased to £751m (2022: £72m) following a strong first half result which included an industry-wide one-off recovery of around £500m of prior period costs. These were largely related to unexpected standard variable tariff demand and the phasing of commodity costs and associated revenues; a supplier's costs may not perfectly match the revenues received under the price cap in a given period. We also delivered effective risk management and optimisation during the year, while higher commodity costs naturally drove higher unit margins.

These positive impacts were partially offset by a number of other factors predominantly related to a weak economy and the cost of living crisis. The bad debt charge increased to £541m (2022: £297m), including impacts from pausing field debt collection activity, with an increase in both residential (up £158m) and small business (up £86m). We also saw an underlying reduction in consumption per customer, with customer bills remaining elevated compared to historic levels alongside the reduction of wider government support for both residential and small business customers. In addition, 2023 profit was impacted by the increase in cost per customer reflecting our investment in customer service and system migration, and our voluntary commitment of a further £84m to support customers struggling to pay their bills.

Bord Gáis Energy

YEAR ENDED 31 DECEMBER	2023	2022	Change
Customers ('000) (closing)	**503**	526	(4%)
Complaints per customer (%) (i)	**1.7%**	2.2%	(23)%
Journey NPS (ii)	**18**	19	(1pt)
Adjusted operating profit (£m)	**1**	31	(97%)

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.
(i) Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
(ii) Weighted NPS for the main customer interaction channels.

In Bord Gáis Energy we are focused on creating value from our integrated energy model, while investing in the future energy system to help underpin energy security and decarbonisation in Ireland.

Against a backdrop of challenging conditions in the retail energy supply business, customer numbers declined by 4% as the business reduced its focus on customer acquisition. We continued to invest in customer service, resulting in lower complaints per customer compared with 2022 and a 5pt improvement in NPS over the second half of the year, following a reduction in the first half. In line with our commitment to support our customers, we donated an incremental £3m to our energy support fund to help vulnerable customers struggling with bills, doubling the total to £6m over the past two years.

We continued with the construction of our two, hydrogen ready, 100MW flexible natural gas peaking plants in Athlone and Dublin, with our investment expected to total around €300m. We expect these plants to be commissioned by around the middle of 2025.

Adjusted operating profit reduced to £1m (2022: £31m), reflecting pricing pressure in energy supply as we absorbed higher energy costs, particularly in the first half of 2023. This was partially offset by continued strong performance from our Whitegate power station and wholesale optimisation activities. The second half of the year saw the beginnings of more sustainable energy supply performance, with continued easing in commodity prices affording us the opportunity to pass on price reductions to customers.

OPTIMISATION

In Optimisation, we continue to develop and leverage our physical positions and world class capabilities. Total Optimisation adjusted operating profit remained elevated at £878m (2022: £1,444m), although was lower compared to 2022 against a backdrop of lower absolute prices and volatility in commodity markets.

Centrica Energy

YEAR ENDED 31 DECEMBER	2023	2022	Change
Renewable capacity under management (GW) (i)	**13.0**	12.6	3%
Adjusted operating profit (£m)	**774**	1,400	(45%)

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.
(i) Including assets that have signed contracts but are not yet operational.

In Centrica Energy (previously Energy Marketing & Trading), our world class asset-backed trading and logistics business, we are looking to build on our diverse portfolio of physical contracted positions, while continuing to leverage our differentiated risk management and optimisation capabilities to add further value across the Group.

Centrica Energy had another strong year in 2023, against the backdrop of much lower market volatility than experienced in 2022. We continue to build out our portfolio of physical contractual positions, delivering a 3% increase in renewable assets under management in Renewable Energy Trading and Optimisation (RETO) to 13.0GW. Total renewable and flexible assets increased to 16.3GW (2022: 15.8GW).

We also added to our global LNG portfolio. In July 2023 we signed a 15-year Sale and Purchase agreement with Delfin to take 1 million tonnes of LNG, free on board, from their floating facility in the Gulf of Mexico. Volumes are expected to commence towards the end of this decade.

Adjusted operating profit remained elevated at £774m (2022: £1,400m). Lower levels of market volatility impacted our gas and power trading business. However, we saw the benefit of our diverse portfolio, with increased profit in both the LNG and RETO businesses reflecting our ability to capture some longer-term value from the volatile environment seen in 2022. Included within the total operating profit was a £35m loss from the Sole Pit legacy gas contract (2022: £19m profit), with further losses from the contract at current forward prices expected to be around £30m in total until 2025, when the contract ends.

Centrica Business Solutions (CBS)

YEAR ENDED 31 DECEMBER	2023	2022	Change
Energy supply total gas and electricity volume (TWh)	**20.7**	22.3	(7%)
Energy supply complaints per customer (%) (i)	**12.2%**	9.1%	34%
Energy supply Touchpoint NPS (ii)	**32**	31	1pt
Services order intake (£m)	**225**	212	6%
Net investment (£m)	**114**	19	500%
Adjusted operating profit (£m)	**104**	44	136%

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.

(i) Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.

(ii) Measured independently, through individual questionnaires and the customer's willingness to recommend.

In Centrica Business Solutions we continue to focus on strengthening our customer service foundations and delivering improved margins and sales performance in energy supply to larger businesses, while building a portfolio of flexible, green-focused assets.

We continued with our planned shift in focus away from supplying energy to the lower margin large-scale Commercial and Industrial sector, and total volumes fell by 7% as a result. However, within this, volumes supplied to medium sized enterprises grew 14% to 11.6TWh (2022: 10.2TWh), with consistent organic growth alongside the customer book acquisition of Avantigas ON Limited in H2 2022.

We continue to focus on delivering high levels of customer service, although complaints per customer increased against a backdrop of customer concern from high energy bills and complexity relating to government support schemes. Despite this, customer service delivery remained strong, with Touchpoint NPS increasing by 1pt year-on-year.

Having announced our green-focused investment strategy in July 2023, we have made incremental early stage progress in developing our asset pipeline. Net investment in CBS was £114m in 2023 (2022: £19m) as we continued with a range of solar, battery and gas-peaking investments, and we now have around 550MW of assets in detailed planning or delivery in the UK and Continental Europe. We also commenced commercial operations on the 18MW Codford solar farm in the first half of 2023 and acquired the operational 13MW Roundponds solar farm in the second half, taking total operational capacity in CBS to 132MW.

Adjusted operating profit increased to £104m (2022: £44m). Energy supply profit increased driven by strong risk management and commodity procurement performance, supported by the increase in volumes supplied to medium-sized enterprise customers. This was partially offset by an increased loss in Services and Assets, reflecting the impact of lower market price volatility on our flexible assets, and restructuring actions taken in our services business to improve profitability in the coming years.

INFRASTRUCTURE

Our Infrastructure businesses consist of our ownership in the Spirit Energy gas production business, the UK's nuclear fleet, and Centrica Energy Storage+, the operator of the UK's largest gas storage facility, Rough. These businesses all saw asset lives extended in 2023 and will continue to play an important role for UK energy security. Total Upstream adjusted operating profit fell to £1,083m (2022: £1,793m or £1,308m excluding disposed Spirit assets).

Upstream

YEAR ENDED 31 DECEMBER	2023	2022	Change
Spirit Energy retained total production volumes (mmboe)	**14.8**	17.5	(15%)
Nuclear power generated (GWh)	**7,456**	8,719	(14%)
Adjusted operating profit (£m)	**1,083**	1,793	(40%)

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December.

Total volumes from the retained Spirit Energy assets were down 15%, with lower production across the portfolio in line with expected natural decline rates. In May 2023, Spirit Energy was awarded a carbon storage licence for the Morecambe Hub, and its potential to be one of the UK's largest carbon storage hubs provides us with long-term net zero optionality.

Centrica Energy Storage+ (CES+) delivered good operational reliability from the Rough asset following its return to gas storage operations in the second half of 2022, and from the Easington gas processing plant which CES+ also owns. An increase in capacity at Rough to 54bcf was announced in June 2023, with third party exemption granted until at least 2030. We continue to develop plans to enable us to increase capacity at the asset, and ultimately convert to a hydrogen storage facility, with any material investment subject to an appropriate regulatory support mechanism.

Centrica's share of Nuclear generation volumes was 14% lower than 2022, reflecting the Hinkley Point B closure in August 2022 and higher scheduled outages. During 2023, the expected closure dates for Heysham 1 and Hartlepool were extended by two years to March 2026, with a plus or minus one year window either side of this date. Additionally, in January 2024, an ambition was announced to further extend the lives of Heysham 1, Hartlepool, Heysham 2 and Torness, subject to inspections and regulatory approvals.

Adjusted operating profit from the retained Spirit Energy business was £235m (2022: £245m), with the impact of lower production volumes largely offset by a higher average achieved gas price, underpinned by our rateable hedging strategy. Centrica Energy Storage+ adjusted operating profit was £312m (2022: £339m), with strong performance in the first half of 2023 driven by high seasonal gas price spreads in winter 2022/23 and further optimisation from market price volatility, followed by a second half which saw lower seasonal spreads for winter 2023/24 and reduced optimisation opportunities due to lower levels of volatility. Nuclear adjusted operating profit was £536m (2022: £724m), with higher achieved prices and lower balancing charges more than offset by the combined impacts of lower generation volumes and a £326m impact of the Electricity Generator Levy, of which £285m is recorded in cost of sales and £41m within the share of profit after tax from associates.

Details of our forward hedging positions for 2024 and 2025 are outlined below:

	2024		2025	
	Volume hedged	Average hedged price	Volume hedged	Average hedged price
Spirit Energy	443mmth	174p/th	197mmth	139p/th
Nuclear	5.4TWh	£153/MWh	1.7TWh	£110/MWh

GROUP FINANCIAL REVIEW

REVENUE

Total Group statutory revenue increased by 11% to £26.5bn (2022: £23.7bn). Total Group revenue included in business performance, which includes revenue arising on contracts in scope of IFRS9, decreased by 1% to £33.4bn (2022: £33.6bn).

Gross segment revenue, which includes revenue generated from the sale of products and services between segments, decreased by 5% to £35.3bn (2022: £37.2bn). This was driven largely by the impact of lower commodity prices and volatility on revenue in Centrica Energy, partially offset by the impact of commodity prices on retail tariffs in British Gas Energy, Bord Gáis Energy and Centrica Business Solutions.

A table reconciling the different revenue measures is included in note 5(b) of the accounts.

OPERATING PROFIT/(LOSS), EARNINGS AND DIVIDEND

YEAR ENDED 31 DECEMBER (£M)	Notes	**2023** Business performance	**2023** Exceptional items and certain re-measurements	**2023** Results for the year	2022 Business performance	2022 Exceptional items and certain re-measurements	2022 Results for the year
Group operating profit/ (loss)	5(c)	**2,752**	**3,760**	**6,512**	3,308	(3,548)	(240)
Net finance cost	7	(39)	—	(39)	(143)	—	(143)
Taxation	8	(838)	(1,595)	(2,433)	(1,046)	793	(253)
Profit/(loss) from operations		**1,875**	**2,165**	**4,040**	2,119	(2,755)	(636)
Less: Profit attributable to non-controlling interests		(16)	(95)	(111)	(69)	(77)	(146)
Adjusted earnings/(loss) attributable to shareholders		**1,859**	**2,070**	**3,929**	2,050	(2,832)	(782)
Adjusted earnings attributable to shareholders excluding disposed Spirit Energy assets		*1,859*			*2,005*		

Adjusted operating profit decreased by £556m, or by £71m when excluding the impact of the disposal of Spirit Energy's Norwegian assets in 2022, to £2,752m (2022: £3,308m or £2,823m excluding the disposed Spirit Energy assets).

More detail on specific business unit adjusted operating profit performance is provided in the Group Overview on pages 7 to 11.

Statutory operating profit was £6,512m (2022: £240m loss), with the difference between the two measures of profit relating to a net gain on exceptional items and certain re-measurements of £3,760m (2022: £3,548m loss).

Certain re-measurements

The Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets (and similar capacity or off-take contracts), as well as to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IFRS 9.

The Group shows the fair value movements on these commodity derivative trades separately as certain re-measurements, as they do not reflect the underlying performance of the business because they are economically related to our infrastructure assets, capacity/off-take contracts or downstream demand, which are typically not fair valued.

The operating profit in the statutory results includes a net pre-tax profit of £4,405m (2022: £3,393m loss) relating to re-measurements. This was largely made up of the components outlined below:

- A net gain of £3,573m on the re-measurement of derivative energy contracts. This predominantly reflects the unwind of 2022 out-of-the-money energy supply contract hedge purchases, while there was also an unwind of our infrastructure businesses and Centrica Energy out-of-the-money positions from December 2022. The net positive impact of these two factors was £3,529m. In addition, we saw a net unrealised mark-to-market gain of £44m from our wider portfolio as we were in a net sell position at certain points in the year as commodity prices fell.
- A net gain of £833m from the onerous energy supply contract provision utilisation and reversal. At the 2022 year-end, an onerous provision was held on the balance sheet relating to our non-domestic customers on longer-term fixed contracts agreed at levels below the forward commodity prices in December 2022. This was because, although the Group is predominantly hedged and so does not expect to make a true economic loss on these contracts, the hedges are generally market trades which are reflected as derivatives and are marked-to-market through the middle column as certain re-measurements. At 2022 year-end, the unrealised hedges were still in-the-money and this led to retaining an onerous contract provision. However, following the fall in commodity prices seen in 2023, the supply hedges were out-of-the-money at the end of the year and as a result, the remaining energy supply onerous provision has been fully unwound.

Further details can be found in note 6(a).

Exceptional items

An exceptional pre-tax charge of £645m was recognised within the statutory Group operating profit (2022: £155m), made up of:

- A £549m impairment of the nuclear investment, as a result of lower forecast commodity prices, partially offset by the positive effect of life extensions at Heysham 1 and Hartlepool.
- An £82m impairment of the Rough gas storage asset as a result of a reduction in both forecast gas prices and forecast summer/winter gas price spreads.
- A £14m impairment in Centrica Business Solutions predominantly related to a battery storage asset and a gas engine, also as a result of the lower forecast commodity prices.

Further details on exceptional items, including on impairment accounting policy, process and sensitivities, can be found in notes 6(b) and 6(c).

Finance costs

Net finance costs decreased to £39m (2022: £143m), largely due to increased interest income on cash balances reflecting higher UK interest rates, partially offset by increased interest costs on floating debt.

Taxation

Business performance taxation on profit decreased to £838m (2022: £1,046m). After taking account of tax on joint ventures and associates, the adjusted tax charge was £912m (2022: £1,077m).

The resultant adjusted effective tax rate for the Group was 33% (2022: 34%), with the profit mix moving slightly away from highly taxed E&P activities. The adjusted effective tax rate calculation is shown below:

YEAR ENDED 31 DECEMBER (£M)	**2023**	2022
Adjusted operating profit before impacts of taxation	**2,752**	3,308
Add: JV/associate taxation included in adjusted operating profit	**74**	31
Net finance cost	**(39)**	(143)
Adjusted profit before taxation	**2,787**	3,196
Taxation on adjusted operating profit	**(838)**	(1,046)
Share of JV/associate taxation	**(74)**	(31)
Adjusted tax charge	**(912)**	(1,077)
Adjusted effective tax rate	**33%**	34%

A charge totalling £326m related to the Electricity Generator Levy is included in the Group's cost of sales and in our share of the results of joint venture and associates operating profits. The Levy is not an income tax and is not deductible for corporation tax purposes. If this had been treated as a tax, the Group's adjusted effective tax rate would have been 40%.

Re-measurements and exceptional items generated a taxation charge of £1,595m (2022: £793m credit).

See notes 1(c), 3(b), 6(a), 6(b) and 8 for more details.

Group earnings

Reflecting the adjusted operating profit, net finance cost and adjusted taxation as described above, profit for the year from business performance after taxation was £1,875m (2022: £2,119m). After adjusting for non-controlling interests relating to Spirit Energy, adjusted earnings were £1,859m (2022: £2,050m, or £2,005m after excluding the disposed Spirit Energy assets). Adjusted basic EPS was 33.4p (2022: 34.9p, or 34.2p after excluding the disposed Spirit Energy assets), which also includes the impact of a lower weighted average number of shares than in 2022 reflecting the ongoing share repurchase programme.

After including exceptional items and certain re-measurements, including those attributable to non-controlling interests, the statutory profit attributable to shareholders for the period was £3,929m (2022: £782m loss). The Group reported a statutory basic EPS of 70.6p (2022: 13.3p loss).

Dividend

In addition to the interim dividend of 1.33p per share, the proposed final dividend is 2.67p per share, giving a total full year dividend of 4.0p per share (2022: 3.0p per share).

GROUP CASH FLOW, NET CASH AND BALANCE SHEET

Group cash flow

Free cash flow (FCF) is the Group's primary measure of cash flow as management believe it provides relevant information to show the cash generation of the business after taking account of the need to maintain its capital asset base. FCF is reconciled to statutory net cash flow from operating and investing activities in the table below.

See explanatory note 5(f) for further details.

YEAR ENDED 31 DECEMBER (£M)	**2023**	2022
Statutory cash flow from operating activities	**2,752**	1,314
Statutory cash flow from investing activities	**115**	(566)
Statutory cash flow from operating and investing activities	**2,867**	748
Add back/(deduct):		
Sale and purchase of securities	**12**	398
Interest received	**(267)**	(46)
Movements in collateral and margin cash	**(585)**	1,173
Defined benefit pension deficit payments	**180**	214
Free cash flow	**2,207**	2,487

FCF was £2,207m (2022: £2,487m), as reconciled to statutory cash flow measures in the table above.

Net cash flow from operating activities increased to £2,752m (2022: £1,314m), with the impact of lower adjusted EBITDA more than offset by collateral and margin cash inflows and positive working capital movements.

Adjusted EBITDA decreased to £3,085m (2022: £3,993m), reflecting the movements in adjusted operating profit as described on page 12.

The collateral and margin cash inflow was £585m (2022: £1,173m outflow), as wholesale commodity prices reduced from their elevated levels last year.

The net inflow of working capital was £244m (2022: £656m outflow). This included an inflow of £579m in Centrica Energy, as profit on 2022 derivative positions cash settled in 2023, which was partially offset by an outflow of £505m in British Gas Energy reflecting the settlement of high December 2022 commodity costs in January 2023 and the timing of customer and Government support and regulatory scheme cash flows.

Net cash inflow from investing activities was £115m (2022: £566m outflow). Within this, interest received increased to £267m (2022: £46m) reflecting the higher interest rate environment, while dividends from our Nuclear associate increased to £220m (2022: £60m). Capital expenditure (including small acquisitions) increased to £415m (2022: £377m or £258m excluding Spirit Norway) as we build momentum in our green-focused growth and investment strategy. Of the 2022 investing activities outflow, £400m related to a loan to the pension schemes in October 2022 to help them manage through volatile market conditions.

Net cash outflow from financing activities increased to £1,414m (2022: £917m). This includes a reduced distribution of £17m (2022: £273m) to Spirit Energy's minority partner, with the outflows in both years related to the disposal of Spirit Energy's Norway assets. It also includes materially increased cash distributions to shareholders, with £613m (2022: £43m) relating to the Group's share buyback programme and £186m (2022: £59m) related to ordinary dividend payments.

Group adjusted net cash

The above resulted in a £1,453m increase in cash and cash equivalents over the year. Gross debt reduced by £162m, reflecting the repayment of a bond upon its maturity in October 2023 which was partially offset by new lease arrangements during the year. When also including the impact of foreign exchange adjustments on cash, the Group's adjusted net cash position at the end of December 2023 was £2,744m, compared to £1,199m on 31 December 2022.

Further details on the Group's sources of finance and adjusted net debt are included in note 11.

Balance sheet

Net assets increased to £4,233m (2022: £1,280m), predominantly driven by the statutory profit. This was partially offset by the impact of items reported in other comprehensive income or directly in equity, including a £500m reduction from the share buyback programme, £288m net actuarial losses on defined benefit pension schemes and £203m of dividends paid to both shareholders and non-controlling interests.

Pension deficit

The Group's IAS 19 net pension deficit was £117m at the year-end, compared with a £40m surplus at 31 December 2022, with the impact of pension deficit contributions during the year being more than offset by a decrease in high quality corporate bond yields used to discount the pension liabilities, a lower than expected return on scheme assets and an actuarial adjustment due to inflation experience. The technical provisions deficit is based on more conservative assumptions and is used to determine the agreed level of cash contributions into the schemes. In September 2022, we reached agreement with the pension trustees on a March 2021 technical provisions deficit of £944m, with annual deficit contributions remaining unchanged at £175m until 2026. On a roll-forward basis using the same methodology, consequent assumptions and contributions paid, the technical provision deficit would be around £900m at 31 December 2023.

Further details on post-retirement benefits are included in note 14.

Acquisitions, disposals and disposal groups classified as held for sale

During the period deferred consideration of £55m was received in respect of the Spirit Norway disposal in 2022 and £17m was distributed to SWM Bayerische E&P Beteiligungsgesellschaft mbH.

Further details on assets purchased, acquisitions and disposals are included in notes 5(e) and 15.

EVENTS AFTER THE BALANCE SHEET DATE

Details of events after the balance sheet date are described in note 18.

RISKS AND CAPITAL MANAGEMENT

The nature of the Group's principal risks and uncertainties are broadly unchanged from those set out in its 2022 Annual Report, although the Group's top three Principal Risks are now credit and liquidity risk, market risk (including the outage risk of financial loss due to impact of lost asset production) and weather risk. In our assessment, overall credit and liquidity risk has increased due to a notable increase in customer debt driven by cost of living challenges, high levels of fuel poverty and relatively high inflation impacting our customers' ability to pay for their energy supply. Market and weather risks have reduced given lower volatility in commodity markets and a fall in global wholesale energy prices from their 2022 peaks. In addition, political, legal and regulatory risks have heightened due to continued financial pressures facing many consumers and an impending UK general election.

The Group has actively responded to these risks. Further support measures and processes have been developed to help customers repay their debt, a Risk Capital Steering methodology has been developed to bolster our current robust monitoring and to improve our ability to react to changes in our financial risks, while we have successfully refinanced multi-year credit facilities to fortify our liquidity capacity. We also remain engaged with regulators and political parties and will continue to monitor and assess the impact of any changes in government policy in our markets.

Details of how the Group has managed financial risks such as liquidity and credit risk are set out in note 4. Details of the Group's capital management processes are provided under sources of finance in note 11.

ACCOUNTING POLICIES

The Group's accounting policies and specific accounting measures, including changes of accounting presentation and selected key sources of estimation uncertainty, are explained in notes 1, 2 and 3.

APPENDIX

GROUP PERFORMANCE METRICS

Year ended 31 December	2023	2022	Change
Total recordable injury frequency rate (per 200,000 hours worked)	**0.84**	1.12	(25%)
Total customers ('000) (closing) [(i)]	**10,266**	10,296	(0%)
Group direct headcount (closing) [(ii)]	**21,069**	20,567	2%
Group colleague engagement [(iii)]	**7.7**	7.4	0.3pt
Total greenhouse gas emissions (scope 1 and 2) (tCO_2e) [(iv)]	**1,681,475**	2,009,885	(16%)

(i) Includes British Gas Energy, British Gas Services & Solutions and Bord Gáis Energy households and business customer sites in British Gas Energy and Centrica Business Solutions.

(ii) 2022 restated to reflect change in reporting methodology due to using updated payroll system data.

(iii) Colleague engagement methodology changed from percentage of favourable colleagues to an average score out of 10 measuring how colleagues feel about the company.

(iv) Comprises scope 1 and scope 2 emissions as defined by the Greenhouse Gas Protocol.

NUCLEAR PERFORMANCE METRICS

Year ended 31 December	2023	2022	Change
Nuclear power generated (GWh)	**7,456**	8,719	(14%)
Nuclear achieved power price (£/MWh)	**175.8**	140.0	26%

SPIRIT ENERGY (RETAINED) PERFORMANCE METRICS

Year ended 31 December	2023	2022	Change
Gas production volumes (mmth)	**832**	971	(14%)
Liquids production volumes (mmboe)	**1.0**	1.2	(17%)
Total production volumes (mmboe)	**14.8**	17.5	(15%)
Average achieved gas sales prices (p/therm)	**101**	94	7%
Average achieved liquid sales prices (£/boe)	**50**	43	16%
Lifting and other cash production costs (£/boe) [(i)]	**25.1**	20.5	22%
Gas and liquids realisations (£m) [(ii)]	**900**	988	(9%)
Unit DDA rate (£/boe)	**17.4**	20.2	(14%)

(i) Lifting and other cash production costs are total operating costs and cost of sales excluding depreciation and amortisation, dry hole costs, exploration costs and profit on disposal.

(ii) Realisations are total revenues from sales of gas and liquids including hedging and net of Spirit NTS costs.

Statement of Directors' Responsibilities

Directors are responsible for preparing the Group Financial Statements in accordance with applicable law, regulations and accounting standards. In preparing the Group Financial Statements, International Accounting Standard 1 required the Directors to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

Each of the Directors confirms that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with the United Kingdom adopted International Accounting Standards, with International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Strategic Report contained in the Annual Report and Accounts, from which this narrative is extracted, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board on 14 February 2024

Chris O'Shea
Group Chief Executive

Russell O'Brien
Group Chief Financial Officer

Group Income Statement

Year ended 31 December	Notes	2023 Business performance £m	2023 Exceptional items and certain re-measurements £m	2023 Results for the year £m	2022 Business performance £m	2022 Exceptional items and certain re-measurements £m	2022 Results for the year £m
Group revenue	5,6	**32,561**	**(6,916)**	**25,645**	32,785	(9,896)	22,889
Insurance services revenue		**813**	**—**	**813**	852	—	852
Total Group revenue		**33,374**	**(6,916)**	**26,458**	33,637	(9,896)	23,741
Cost of sales (i)	6	**(27,682)**	**17,497**	**(10,185)**	(27,616)	14,986	(12,630)
Insurance services cost of sales		**(475)**	**—**	**(475)**	(582)	—	(582)
Re-measurement and settlement of derivative energy contracts	6	**—**	**(6,175)**	**(6,175)**	—	(8,484)	(8,484)
Gross profit	5,6	**5,217**	**4,406**	**9,623**	5,439	(3,394)	2,045
Operating costs before exceptional items and credit losses on financial assets		**(1,778)**	**—**	**(1,778)**	(1,608)	—	(1,608)
Insurance services operating costs		**(294)**	**—**	**(294)**	(264)	—	(264)
Credit losses on financial assets	16	**(602)**	**—**	**(602)**	(351)	—	(351)
Exceptional items – (impairment)/write-back of power assets	6	**—**	**(563)**	**(563)**	—	207	207
Exceptional items – impairment of gas storage asset	6	**—**	**(82)**	**(82)**	—	—	—
Exceptional items - net loss on significant disposals	6	**—**	**—**	**—**	—	(362)	(362)
Operating costs		**(2,674)**	**(645)**	**(3,319)**	(2,223)	(155)	(2,378)
Share of profits/(losses) of joint ventures and associates, net of interest and taxation	12	**209**	**(1)**	**208**	92	1	93
Group operating profit/(loss)	5	**2,752**	**3,760**	**6,512**	3,308	(3,548)	(240)
Financing costs	7	**(308)**	**—**	**(308)**	(220)	—	(220)
Investment income	7	**269**	**—**	**269**	77	—	77
Net finance cost	7	**(39)**	**—**	**(39)**	(143)	—	(143)
Profit/(loss) before taxation		**2,713**	**3,760**	**6,473**	3,165	(3,548)	(383)
Taxation on profit/(loss)	6,8	**(838)**	**(1,595)**	**(2,433)**	(1,046)	793	(253)
Profit/(loss) for the period		**1,875**	**2,165**	**4,040**	2,119	(2,755)	(636)
Attributable to:							
Owners of the parent		**1,859**	**2,070**	**3,929**	2,050	(2,832)	(782)
Non-controlling interests		**16**	**95**	**111**	69	77	146

Earnings per ordinary share		2023 Pence	2022 Pence
Basic	10	**70.6**	(13.3)
Diluted	10	**69.4**	(13.3)
Interim dividend paid per ordinary share	9	**1.33**	1.00
Final dividend proposed per ordinary share	9	**2.67**	2.00

(i) Cost of sales includes an £833 million credit (2022: £1,766 million credit) relating to the unwind of the onerous energy supply contract provision within the certain re-measurements column. See note 6.

The notes on pages 24 to 73 form part of these Financial Statements.

Group Statement of Comprehensive Income

Year ended 31 December	Notes	2023 £m	2022 £m
Profit/(loss) for the period		**4,040**	(636)
Other comprehensive income			
Items that will be or have been reclassified to the Group Income Statement:			
Impact of cash flow hedging (net of taxation)		**(2)**	(20)
Exchange differences on translation of foreign operations [(i)]		**(44)**	(90)
Exchange differences reclassified to Group Income Statement on disposal		**—**	272
Items that will not be reclassified to the Group Income Statement:			
Net actuarial losses on defined benefit pension schemes (net of taxation)		**(288)**	(124)
Gains on revaluation of equity instruments measured at fair value through other comprehensive income (net of taxation)		**3**	—
Share of other comprehensive loss of associates, net of taxation	12	**(95)**	(293)
Other comprehensive loss, net of taxation		**(426)**	(255)
Total comprehensive income/(loss) for the period		**3,614**	(891)
Attributable to:			
Owners of the parent		**3,504**	(1,042)
Non-controlling interests		**110**	151

(i) Exchange differences on translation of foreign operations includes £43 million (2022: £95 million) of losses attributable to the equity holders of the parent, and £1 million of losses (2022: £5 million of gains) attributable to non-controlling interests.

The notes on pages 24 to 73 form part of these Financial Statements.

Group Statement of Changes in Equity

	Share capital £m	Share premium £m	Retained earnings £m	Other equity £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
1 January 2022	363	2,377	377	(752)	2,365	385	2,750
(Loss)/profit for the year	—	—	(782)	—	(782)	146	(636)
Other comprehensive (loss)/income	—	—	—	(260)	(260)	5	(255)
Total comprehensive (loss)/income	—	—	(782)	(260)	(1,042)	151	(891)
Employee share schemes and other share transactions	2	17	(2)	(14)	3	—	3
Share buyback programme	—	—	—	(250)	(250)	—	(250)
Dividends paid to equity holders (note 9)	—	—	(59)	—	(59)	—	(59)
Distributions to non-controlling interests	—	—	—	—	—	(273)	(273)
31 December 2022	365	2,394	(466)	(1,276)	1,017	263	1,280
Profit for the year	—	—	3,929	—	**3,929**	111	**4,040**
Other comprehensive loss	—	—	—	(425)	**(425)**	(1)	**(426)**
Total comprehensive income/(loss)	—	—	3,929	(425)	**3,504**	110	**3,614**
Employee share schemes and other share transactions	—	—	(3)	45	**42**	—	**42**
Share buyback programme	—	—	—	(500)	**(500)**	—	**(500)**
Dividends paid to equity holders (note 9)	—	—	(186)	—	**(186)**	—	**(186)**
Distributions to non-controlling interests (note 15)	—	—	—	—	**—**	(17)	**(17)**
31 December 2023	365	2,394	3,274	(2,156)	**3,877**	356	**4,233**

The notes on pages 24 to 73 form part of these Financial Statements.

Group Balance Sheet

	Notes	31 December 2023 £m	31 December 2022 £m
Non-current assets			
Property, plant and equipment		**1,846**	1,748
Interests in joint ventures and associates	12	**903**	1,580
Other intangible assets		**340**	707
Goodwill		**405**	409
Deferred tax assets		**456**	1,709
Trade and other receivables, and contract-related assets	16	**210**	129
Derivative financial instruments	13	**899**	1,393
Retirement benefit assets	14	**64**	150
Other investments		**61**	—
Securities	11	**116**	525
		5,300	8,350
Current assets			
Trade and other receivables, and contract-related assets	16	**5,409**	8,450
Other intangible assets		**293**	—
Inventories		**1,079**	1,269
Derivative financial instruments	13	**2,373**	6,034
Current tax assets		**64**	93
Securities	11	**405**	—
Cash and cash equivalents	11	**6,443**	4,842
		16,066	20,688
Total assets		**21,366**	29,038
Current liabilities			
Derivative financial instruments	13	**(2,391)**	(8,841)
Trade and other payables, and contract-related liabilities		**(7,000)**	(10,016)
Insurance contract liabilities		**(165)**	(160)
Current tax liabilities		**(299)**	(472)
Provisions for other liabilities and charges		**(279)**	(1,213)
Bank overdrafts, loans and other borrowings	11	**(1,002)**	(1,009)
		(11,136)	(21,711)
Non-current liabilities			
Deferred tax liabilities		**(424)**	(8)
Derivative financial instruments	13	**(615)**	(1,310)
Trade and other payables, and contract-related liabilities		**(207)**	(165)
Provisions for other liabilities and charges		**(1,469)**	(1,446)
Retirement benefit obligations	14	**(181)**	(110)
Bank loans and other borrowings	11	**(3,101)**	(3,008)
		(5,997)	(6,047)
Total liabilities		**(17,133)**	(27,758)
Net assets		**4,233**	1,280
Share capital		**365**	365
Share premium		**2,394**	2,394
Retained earnings		**3,274**	(466)
Other equity		**(2,156)**	(1,276)
Total shareholders' equity		**3,877**	1,017
Non-controlling interests		**356**	263
Total shareholders' equity and non-controlling interests		**4,233**	1,280

The Financial Statements on pages 19 to 73, of which the notes on pages 24 to 73 form part, were approved and authorised for issue by the Board of Directors on 14 February 2024 and were signed below on its behalf by:

Chris O'Shea **Russell O'Brien**
Group Chief Executive **Group Chief Financial Officer**

Centrica plc Registered No: 03033654

Group Cash Flow Statement

Year ended 31 December	Notes	2023 £m	2022 £m
Group operating profit/(loss) including share of results of joint ventures and associates		**6,512**	(240)
Deduct share of profits of joint ventures and associates, net of interest and taxation	12	**(208)**	(93)
Group operating profit/(loss) before share of results of joint ventures and associates		**6,304**	(333)
Add back/(deduct):			
Depreciation and amortisation	5	**518**	669
Write-downs, impairments and write-backs	5,6	**669**	(99)
Loss on disposals		**—**	343
Decrease in provisions		**(1,021)**	(1,903)
Cash contributions to defined benefit schemes in excess of service cost income statement charge		**(215)**	(184)
Employee share scheme costs		**31**	10
Unrealised (gains)/losses arising from re-measurement of energy contracts		**(2,949)**	4,095
Operating cash flows before movements in working capital relating to business performance and payments relating to taxes, exceptional charges and operating interest		**3,337**	2,598
Decrease/(increase) in inventories		**186**	(593)
Decrease/(increase) in trade and other receivables and contract-related assets relating to business performance		**2,911**	(2,302)
(Decrease)/increase in trade and other payables and contract-related liabilities relating to business performance		**(2,853)**	2,239
Operating cash flows before payments relating to taxes, exceptional charges and operating interest		**3,581**	1,942
Taxes paid		**(803)**	(574)
Operating interest paid	7	**(20)**	(30)
Payments relating to exceptional charges in operating costs	6	**(6)**	(24)
Net cash flow from operating activities		**2,752**	1,314
Purchase of businesses, net of cash acquired	15	**(34)**	12
Sale of businesses, including receipt of deferred consideration	15	**55**	92
Purchase of property, plant and equipment and intangible assets	5	**(335)**	(371)
Sale of property, plant and equipment and intangible assets		**—**	11
Investments in joint ventures and associates	12	**(9)**	(18)
Dividends received from joint ventures and associates	12	**220**	60
Interest received		**267**	46
Net purchase of other investments		**(37)**	—
Settlement of securities	11	**—**	150
Purchase of securities	11	**(12)**	(548)
Net cash flow from investing activities		**115**	(566)
Proceeds from exercise of share options		**6**	—
Payments for own shares		**—**	(5)
Share buyback programme		**(613)**	(43)
Cash inflow from borrowings	11	**930**	1,220
Distributions to non-controlling interests	15	**(17)**	(273)
Financing interest paid	11	**(286)**	(172)
Cash outflow from repayment of borrowings and capital element of leases	11	**(1,248)**	(1,585)
Equity dividends paid	9	**(186)**	(59)
Net cash flow from financing activities		**(1,414)**	(917)
Net increase/(decrease) in cash and cash equivalents		**1,453**	(169)
Cash and cash equivalents including overdrafts, and cash classified as held for sale at 1 January		**4,242**	4,328
Effect of foreign exchange rate changes	11	**(66)**	83
Cash and cash equivalents including overdrafts at 31 December	11	**5,629**	4,242
Included in the following line of the Group Balance Sheet:			
Cash and cash equivalents	11	**6,443**	4,842
Overdrafts included within current bank overdrafts, loans and other borrowings	11	**(814)**	(600)

The notes on pages 24 to 73 form part of these Financial Statements.

Notes to the Financial Statements

1. General information, basis of preparation and summary of significant new accounting policies and reporting changes

This section details new accounting standards, amendments to standards and interpretations, whether these are effective in 2023 or later years, and if and how these are expected to impact the financial position and performance of the Group.

(a) General information

Centrica plc (the 'Company') is a public company limited by shares, domiciled and incorporated in the UK, and registered in England and Wales. The address of the registered office is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD. The Company, together with its subsidiaries comprise the 'Group'. The Company has its listing on the London Stock Exchange.

The Financial Statements for the year ended 31 December 2023 included in this announcement were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2024.

The preliminary results for the year ended 31 December 2023 have been extracted from audited accounts which have not yet been delivered to the Registrar of Companies. The Financial Statements set out in this announcement do not constitute statutory accounts for the year ended 31 December 2023 or 31 December 2022. The financial information for the year ended 31 December 2022 is derived from the statutory accounts from that year. The report of the auditors on the statutory accounts for the year ended 31 December 2023 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

(b) Basis of preparation

The accounting policies applied in these Financial Statements for the year ended 31 December 2023 are consistent with those of the Annual Financial Statements for the year ended 31 December 2022, as described in those financial statements, with the exception of standards, amendments and interpretations effective in 2023 and other presentational changes.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, which reflects a period of twelve months from the date of approval of the accounts, with modelled analysis extending to 31 December 2026. The scenarios considered as part of the going concern assessment are consistent with those used in the longer-term viability statement. In particular, cash forecasts for the Group have been stress-tested for different scenarios including reasonably possible increases/decreases in commodity prices and the risk scenarios described in the viability statement, assessing reasonably possible combinations of risks, the largest of which is the increased margin outflows in our trading and upstream businesses. Risks considered also include the impact of significant adverse weather events, increased bad debt charges due to the cost of living crisis, the risk of financial loss due to counterparty default, underperformance of the trading business and production falls in the Group's upstream business. The persistent volatility of the external risk environment in recent years underscores the significance of securing ample financial facilities, placing a heightened emphasis on trading entities to maintain sufficient collateral for mark-to-market positions. The Group continues to manage the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. The level of undrawn committed bank facilities and available cash resources has enabled the Directors to conclude that there are no material uncertainties relating to going concern. As a result, the Group continues to adopt the going concern basis of accounting in preparing the financial statements. Further information on the Group's strong liquidity position, including its indebtedness and available committed facilities, is provided in note 11.

(c) New accounting policies, standards, amendments and interpretations effective or adopted in 2023

From 1 January 2023, the following standards and amendments are effective in the Group's consolidated Financial Statements:

- IFRS 17 'Insurance Contracts';
- Amendments to IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors', distinguishing changes in accounting estimates from changes in accounting policies;
- Amendments to IAS 1 'Presentation of Financial Statements', disclosure of accounting policies and materiality judgements; and
- Amendments to IAS 12 'Income Taxes':
  - Deferred tax related to assets and liabilities arising from a single transaction; and
  - International tax reform, pillar two model rules.

There has been no material impact on the consolidated Financial Statements from any amendments effective during the year.

IFRS 17 'Insurance Contracts'

IFRS 17 became effective on 1 January 2023. The Group has fixed-fee service contracts that it previously accounted for as insurance contracts under IFRS 4 'Insurance Contracts'. These contracts fall within the scope of IFRS 17 where the Group reflects an assessment of the risk associated with an individual customer in setting the price of the contract. The Group is applying the simplified 'Premium Allocation Approach' to its fixed-fee service contracts on the basis that the coverage period of the Group's insurance contracts is not greater than one year. No material change in accounting has arisen from the application of IFRS 17 and therefore there has been no impact on the opening balance sheet. Revenue arising from the Group's insurance contracts within the scope of IFRS 17 amounts to £813 million (2022: £852 million). The Group has presented both current and prior year revenue and costs from insurance contracts on the Group Income Statement and net insurance liabilities on the Group Balance Sheet in accordance with IFRS 17.

1. General information, basis of preparation and summary of significant new accounting policies and reporting changes

(c) New accounting policies, standards, amendments and interpretations effective or adopted in 2023

Electricity Generator Levy

At the end of 2022, the Government announced the implementation of the Electricity Generator Levy (EGL), a new, temporary levy applicable to receipts that the Group has realised from electricity generation in the UK from nuclear and renewable sources in the period from 1 January 2023 to 31 March 2028. It was legislated in the Finance (No 2) Act 2023. The levy applies a 45% charge on receipts generated from the production of wholesale electricity sold at an average price in excess of £75/MWh, exceeding an annual threshold of £10 million. It applies to generators whose generation exceeds 50GWh annually, as well as off-take arrangements with significant minority shareholders in such generators (e.g. generation within our Nuclear associate and potentially our off-take from that associate).

The Group has determined that the accounting for the levy falls within the scope of IAS 37 'Provisions, contingent liabilities, and contingent assets' and IFRIC 21 'Levies' on the basis that the levy represents a legislative liability imposed by the Government, calculated with reference to revenue generated. The Group recognises the levy progressively over time, as the related electricity is sold. The Group also considered the applicability of IAS 12 'Income Taxes', however the EGL is based on revenue generated, and not taxable profit and is therefore outside the scope of IAS 12. During the year an amount of £285 million has been reflected within cost of sales as a result of this levy. A further £41 million is recorded within the share of profit after tax from the Nuclear associate.

Whilst the legislation was substantively enacted on 20 June 2023 and received Royal Assent on 11 July 2023, there remain some uncertainties in how it should be interpreted in relation to significant minority shareholder off-take arrangements. It is currently expected to remain in effect until 31 March 2028. As payment has been made on account to HMRC, the Group also considered whether this tax deposit could constitute an asset. In accordance with the 2019 IFRIC agenda decision on deposits relating to taxes other than income taxes, the Group's policy is to recognise an asset where it is probable that the EGL payment on account will ultimately be due back from HMRC (or used to settle another tax liability). The Group's current view is that it is not probable and accordingly no asset has been recorded. Further details are included in the Key Sources of Estimation Uncertainty, section 3(b).

Renewables certificates

The Group purchases both renewable certificates and carbon dioxide emissions allowances in order to comply with, and meet its obligations under a number of UK and EU renewable energy schemes. These items are initially recognised at cost and are presented within other intangible assets. The certificates are classified as current or non-current based on the Group's expectations, at the end of each reporting period, of when it expects to realise those assets. Where the renewable certificates are expected to be surrendered within a year of purchase they are presented as current assets, otherwise they are presented as non-current. At 31 December 2022, the portfolio of certificates of £280 million was classified as non-current. At 31 December 2023, the portfolio of renewable certificates of £293 million was classified as current based on the Group's assessment of the expected submission dates of the certificates within the portfolio.

(d) Standards and amendments that are issued but not yet applied by the Group

At the date of authorisation of these consolidated Financial Statements, the Group has not applied the following new and revised standards and amendments that have been issued but are not yet effective:

- Amendments to IAS 1 'Presentation of Financial Statements':
  - Classification of liabilities as current or non-current, effective from 1 January 2024; and
  - Non-current liabilities with covenants, effective from 1 January 2024;
- Amendments to IFRS 16 'Leases'; effective from 1 January 2024:
  - Lease liability in a sale and leaseback;
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures', effective from 1 January 2024:
  - Supplier finance arrangements;
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates', effective from 1 January 2025; and
- Amendments to IFRS 10 'Consolidated Financial Statements and IAS 28 'Investments in Associates and Joint Ventures'; effective date deferred but available for early adoption.

Management does not expect other issued but not effective amendments or standards, or standards not discussed above to have a material impact on the consolidated Financial Statements.

2. Centrica specific accounting measures

This section sets out the Group's specific accounting measures applied in the preparation of the consolidated Financial Statements. These measures enable the users of the accounts to understand the Group's underlying and statutory business performance separately.

(a) Use of adjusted performance measures

The Directors believe that reporting adjusted measures (revenue, margin, profit, earnings per share and cash flow) provides additional useful information on business performance and underlying trends. These measures are used for internal performance purposes, are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

Management uses adjusted revenue, adjusted gross margin and adjusted operating profit to evaluate segment performance. They are defined as revenue/gross margin/operating profit before:

- Exceptional items; and
- Certain re-measurements.

Exceptional items and certain re-measurements are excluded because these items are considered by the Directors to distort the Group's underlying business performance. See section (b) of this note for further details. Similarly, for Segmental adjusted operating profit, the impact of the colleague profit share is excluded because management considers it unrelated to Segmental business performance.

Adjusted earnings is defined as earnings before:

- Exceptional items net of taxation; and
- Certain re-measurements net of taxation.

A reconciliation of adjusted earnings and adjusted earnings per share is provided in note 10.

Free cash flow is used by management to assess the cash generating performance of each segment. Segmental free cash flow is defined as net cash flow from operating and investing activities before:

- Deficit reduction payments made to the UK defined benefit pension schemes;
- Movements in variation margin and collateral;
- Interest received;
- Sale, settlement and purchase of securities; and
- Taxes paid and refunded.

Segmental free cash flow as assessed by management excludes cash flows relating to tax. This is because the effect of Group relief and similar reliefs could distort the measure of segment performance. As a Group-wide measure, free cash flow includes taxes paid and refunded.

Free cash flow gives a measure of the cash generation performance of the business after taking account of the need to maintain its capital asset base. By excluding deficit reduction payments and movements in variation margin and collateral, which are predominantly triggered by wider market factors and, in the case of collateral and margin movements, represent timing differences, free cash flow gives a measure of the underlying performance of the Group.

Interest received and cash flows from the sale, settlement and purchase of securities are excluded from free cash flow as these items are included in the Group's adjusted net cash/(debt) measure and are therefore viewed by the Directors as related to the manner in which the Group finances its operations.

Adjusted net cash/(debt) is used by management to assess the underlying indebtedness of the business. Adjusted net cash/(debt) is defined as cash and cash equivalents, net of bank overdrafts, borrowings, leases, interest accruals and related derivatives. This is adjusted for:

- Securities; and
- Sub-lease assets.

2. Centrica specific accounting measures

(b) Exceptional items and certain re-measurements

The Group reflects its underlying financial results in the business performance column of the Group Income Statement. To be able to provide users with this clear and consistent presentation, the effects of 'certain re-measurements' of financial instruments, and 'exceptional items', are reported in a different column in the Group Income Statement.

The Group is an integrated energy business. This means that it utilises its knowledge and experience across the gas and power (and related commodity) value chains to make profits across the core markets in which it operates. As part of this strategy, the Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets and contracts (and similar capacity or off-take arrangements), as well as to meet the future needs of its customers (downstream demand). These trades are designed to reduce the risk of holding such assets, contracts or downstream demand and are subject to strict risk limits and controls.

Primarily because some of these trades include terms that permit net settlement, they are prohibited from being designated as 'own use' and so IFRS 9 'Financial Instruments' requires them to be individually fair valued.

Fair value movements on these commodity derivative trades do not reflect the underlying performance of the business because they are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued. Similarly, where our downstream customer supply contracts have become onerous as a result of significant market price movements (and the fact any associated commodity hedges have separately been recognised at fair value under IFRS 9 and therefore the onerous supply contract assessment must reflect the reversal of those gains in subsequent periods), movements in the required provision are also reflected as a certain re-measurement in the 'Cost of sales' line item and separately disclosed in note 6.

Movements in this provision do not reflect the underlying performance of the business because they are economically related to both the hedges and forecast future profitability of the supply contracts. Therefore, these certain re-measurements are reported separately and are subsequently reflected in business performance when the underlying transaction or asset impacts profit or loss.

The effects of these certain re-measurements are presented within either revenue or cost of sales when recognised in business performance depending on the nature of the contract. They are managed separately from proprietary energy trading activities where trades are entered into speculatively for the purpose of making profits in their own right. These proprietary trades are included in revenue in the business performance column of the Group Income Statement.

The Group's result for the year presents both realised and unrealised fair value movements on all derivative energy contracts within the 'Re-measurement and settlement of derivative energy contracts' line item. The Group's result for the year presents the unrealised onerous supply contract provision movements within the 'Cost of sales' line item.

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. Again, to ensure the business performance column reflects the underlying results of the Group, these exceptional items are also reported in the separate column in the Group Income Statement. Items that may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings, debt repurchase costs, certain pension past service credits/costs, asset impairments/write-backs, and the tax effects of these items.

The Group distinguishes between business performance asset impairments/write-backs and exceptional impairments/write-backs on the basis of the underlying driver of the impairment, as well as the magnitude of the impairment. Drivers that are deemed to be outside of the control of the Group (e.g. commodity price changes) give rise to exceptional impairments. Additionally, impairment charges that are of a one-off nature (e.g. reserve downgrades or one-time change in intended use of an asset) and significant enough value to distort the underlying results of the business are considered to be exceptional. Other impairments that would be expected in the normal course of business, such as unsuccessful exploration activity (dry holes), are reflected in business performance.

3. Critical accounting judgements and key sources of estimation uncertainty

This section sets out the key areas of judgement and estimation that have the most significant effect on the amounts recognised in the consolidated Financial Statements.

(a) Critical judgements in applying the Group's accounting policies

Management has made the following key judgements in applying the Group's accounting policies that have the most significant effect on the consolidated Group Financial Statements.

Share buyback programme

On 10 November 2022, the Group announced an intention to undertake a share buyback of £250 million and the Group entered into contracts with third parties to undertake this repurchase programme which has now completed. During 2023, the Group firstly increased the share buyback by an additional £300 million which completed during the second half of the year.

Subsequently, in July 2023, the Group announced a further £450 million extension to the share buyback programme and as a result, the Group signed an agreement with a third party to undertake the repurchase of £200 million of shares which is expected to complete by March 2024. The repurchase of the remaining £250 million of shares is expected to commence in the first half of 2024.

The Group judges that the terms and conditions of the contracts mean that, at 31 December 2023, it was unable to cancel the obligation arising under the contract signed in the second half of 2023. Accordingly, the Group has recorded a financial liability at 31 December 2023 of £94 million (31 December 2022: £207 million) for this obligation in accordance with IAS 32 'Financial instruments: Presentation' that is subsequently measured in accordance with IFRS 9 'Financial instruments'. This liability is included within other payables, with the corresponding debit presented in the Other equity reserve.

The Group has not recognised a liability relating to the further £250 million announced during 2023, as no contract has been signed and therefore no financial liability has yet arisen.

Spirit Energy consolidation

During 2017, the Group acquired Bayerngas Norge's exploration and production business and combined this with the Group's existing exploration and production business to form the Spirit Energy business. The Group holds a 69% interest in Spirit Energy. While Spirit Energy has a 31% non-controlling interest, the Group, through its Board majority, can control decisions that represent Board Reserved Matters and the Directors consider that these rights provide control over the relevant activities that most significantly influence the variable returns of the Spirit Energy business. The Group has concluded that it controls Spirit Energy and consequently Spirit Energy is fully consolidated with a non-controlling interest of 31%.

Metering contracts

As part of the ongoing smart meter roll-out, the Group periodically renews meter rental arrangements with third parties. The last renegotiation took place in 2021. The Group assessed that these were not leases under IAS 17 and IFRIC 4 because at inception of the contract there were no specified assets, the Group did not have the right to physically or operationally control the smart meters and other parties took more than an insignificant amount of the output from the assets. This assessment was grandfathered on adoption of IFRS 16.

A reassessment of the contracts was performed in accordance with IFRS 16, following renegotiations of the meter rental arrangements. On the basis that the asset has a predetermined use and the Group neither has the right to operate the asset, nor was involved in its design, the conclusion that these arrangements are not leases continues to be appropriate.

LNG contracts

The Group is active in the Liquified Natural Gas (LNG) market, both procuring long-term LNG supply arrangements and transacting in shorter-term LNG cargoes. As part of its operations in the market, the Group optimises its contractual positions in order to meet customer demand for physical commodity. In response to the continuing development of the global LNG market which, consistent with prior years, is not considered to be active, the Group has reviewed its portfolio of LNG transactions and contracts. It has judged that its activities are carried out for the purpose of receipt or delivery of physical commodity in accordance with its expected purchase and sale requirements. As a result, the Group's contracts to buy and sell LNG are outside the scope of IFRS 9 and are accounted for on an accruals basis.

Assets held for sale and discontinued operations

On 8 December 2021 the Group announced that it had agreed to sell Spirit Energy's entire Norwegian portfolio plus the Statfjord field to Sval Energi and Equinor. The transaction completed in the first half of 2022. See note 15.

The Group assessed whether the disposal group constituted a discontinued operation. Key considerations included the effect of the disposal on the Upstream business and whether the disposal group represented a separate major line of business or geographical operation. Following the disposal, because the Upstream segment retained other European producing fields, the Group judged that it was neither exiting a geographical area nor a separate major line of business, and hence concluded the disposal group did not constitute a discontinued operation.

3. Critical accounting judgements and key sources of estimation uncertainty

(a) Critical judgements in applying the Group's accounting policies

Supplier of Last Resort (SoLR)

During 2021, the Group was appointed as the Supplier of Last Resort (SoLR) to eight suppliers who ceased trading during the year; one further appointment was made in January 2022. Under Ofgem's licence conditions, the Group was entitled to make a Last Resort Supplier Payment (LRSP) claim for the shortfall between costs reasonably incurred in supplying gas and electricity to premises under the Last Resort Supply Direction, and the charges recovered from customers.

The Group submitted an initial claim in 2021 and a second claim in 2022, both of which were accepted by Ofgem. The claims covered both incremental commodity costs, incurred as a result of procuring gas and electricity to supply affected customers, and the cost of recovering customer credit balances, where the Group had not waived the right to do so. The initial claim was settled between April 2022 and April 2023 and the second claim is being settled over the current twelve month period ending in April 2024.

The value recognised for the SoLR receivable at 31 December 2023 is £48 million (31 December 2022: £275 million). This includes residual balances for which the Group has submitted a third claim to be settled between April 2024 and April 2025, but no significant incremental costs have been incurred during the year (31 December 2022: £299 million).

The Group has concluded that the LRSP process represents an Ofgem support mechanism, enabling energy suppliers to provide stability to the customers of failed suppliers. The Group determines that the LRSP is within the scope of IAS 20 'Government Grants' and amounts receivable under the mechanism are recognised as a credit within cost of sales and operating costs, as the related expenses are incurred.

(b) Key sources of estimation uncertainty

The sections below detail the assumptions the Group makes about the future and other major sources of estimation uncertainty when measuring its assets and liabilities at the reporting date. The information given relates to the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to those assets and liabilities in the next financial year.

Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions, and, in some cases, actuarial techniques. Although these estimates and associated assumptions are based on management's best knowledge of current events and circumstances, actual results may differ.

Electricity Generator Levy

As detailed in note 1(c), the Electricity Generator Levy (EGL) is applicable from 1 January 2023. During the year, the Group's share of its Nuclear associate's EGL payments amounted to £41 million (recorded within the share of profit after tax from associates). The Group has also made payments on account to HMRC of £285 million in relation to its estimated EGL liabilities for its minority shareholder Nuclear offtake arrangements during the December 2023 financial year and this expense has been recorded within the income statement, as part of Cost of Sales.

Similar to other relevant businesses, the Group is reviewing the EGL legislation and its application. The EGL legislation is new, and its interpretation and application is unclear in respect of the Group's minority shareholder Nuclear offtake arrangements. As such, the extent of the levy that will ultimately be due in this regard is not yet certain, and a different amount may eventually be determined. If this were the case, a tax deposit asset would be recorded on the Group Balance Sheet, and as a credit within Cost of Sales in the income statement, when it became probable, in accordance with the 2019 IFRIC Agenda decision on Deposits relating to taxes other than income taxes. No tax deposit asset has been recorded because it is not deemed probable, as at the balance sheet date, that this will ultimately be recoverable (or used to settle another tax liability).

We have determined there is a key source of estimation uncertainty in relation to the amount of levy the Group owes for 2023 and whether a tax deposit asset should be recorded for the recovery of payments on account made to HMRC of up to £285 million. Whilst a material change in the accounting could occur in the next financial period, ultimate resolution of this uncertainty may take a number of years.

Credit provisions for trade and other receivables

The macroeconomic environment continues to be challenging with continued higher interest rates, high inflation and low growth all contributing to cost of living pressures which may impact the ability of the Group's customers to pay amounts due. Leading debt indicators, including the number of customers going into debt and direct debit cancellation rates in the Group's residential portfolio have continued to deteriorate in 2023. The Group also suspended all debt recovery field activity throughout the majority of the year, and this has resulted in a deterioration of debt performance for affected cohorts of customers during the period. Customer support schemes, implemented by the Government in 2022 to provide discounts to energy customers, largely ended on 30 June 2023 and despite declining commodity prices during the year, prices are still significantly higher than in previous years.

These factors all result in the assessment and adequacy of credit provisions for trade and other receivables to continue to be a key source of estimation uncertainty. See note 16 for further information.

The Group utilises a range of factors, including both internal and external, historic and forward-looking, to assess the adequacy of the Group's credit provisions. Whilst the Group utilises a matrix output model to record provision coverage, management recognises that the model does not adequately capture scenarios where there is a delayed impact on customer payments, such as the ending of Government support schemes, and forward-looking macroeconomic challenges. The Group has therefore recorded a macroeconomic credit provision of £175 million (31 December 2022: £125 million) which results in a total credit provision for trade and other receivables at 31 December 2023 of £1,309 million (31 December 2022: £872 million).

3. Critical accounting judgements and key sources of estimation uncertainty

(b) Key sources of estimation uncertainty

British Gas Energy and Centrica Business Solutions Onerous Supply Contracts

The Group operates and manages a hedging strategy to ensure that the future costs of supplying customers of the British Gas Energy and Centrica Business Solutions portfolios are appropriately managed.

Hedges are measured at fair value under IFRS 9 and are recognised as certain re-measurements in the Group's Income Statement until the point at which the related costs to purchase electricity and gas are incurred. Fair value movements on energy purchase contracts entered to meet the future needs of customers are economically related to customer demand; the supply contracts for which are measured on an accrual basis.

Gains and losses arising from hedges have been recognised in the income statement (within certain re-measurements) in accordance with the requirements of IFRS 9. Because of this hedge value recognition, the assessment of whether the supply contracts are onerous must include the contracted energy purchase costs and those mark-to-market reversals. As a result, the Group recognised an onerous supply contract provision of £999 million in the consolidated Group Financial Statements for the year ended 31 December 2022.

During 2023, commodity costs have declined and as a result, fair value movements on energy purchase contracts entered to meet the future needs of both British Gas Energy residential customers and the Group's non-domestic customers have resulted in losses rather than gains being recognised as certain re-measurements in the Group's Income Statement. As a result, the Group determined that at the reporting date, the future costs to fulfil both British Gas residential and the Group's non-domestic customer contracts fell below charges recoverable from customers and the onerous supply contract provision previously recognised in relation to the fulfilment of the Group's customer contracts has been either utilised, or reversed, in full. £833 million of this movement has been reflected in certain re-measurements, where it was originally recorded. The remainder, which was recognised on the balance sheet as part of the Avanti Gas acquisition in 2022, has been presented in the business performance column to match the unwind of the related derivatives also acquired.

Note that cumulatively, over time, the onerous contract provision certain re-measurements movement in the Group's Income Statement will total £nil.

The key sources of estimation uncertainty previously related to the expected future tenure of the Group's customer portfolio, and the estimated gross margin attributable to them. Due to the fair value losses recognised on energy purchase contracts at 31 December 2023, no onerous supply contract arises and the estimation of tenure and gross margin is no longer required. Therefore, there is no longer a key source of estimation uncertainty. If commodity prices increase, a provision may be required in the future. Further disclosures relating to movements in certain re-measurements are provided in note 6.

Impairment and impairment reversals of long-lived assets

The Group makes judgements in considering whether the carrying amounts of its long-lived assets (principally Upstream gas assets, Nuclear investment (20% economic interest accounted for as an investment in associate) and goodwill) or cash-generating units (CGUs) are recoverable and estimates their recoverable amounts.

Forward commodity prices have declined during 2023, both in terms of observable market prices and forecast forward prices. This follows significant year-on-year increases in both 2021 and 2022. Predominantly as a result of the declining prices the recoverable amounts of certain assets have been affected and an impairment of £645 million has been recorded. See note 6(b) for details.

Upstream gas assets

Forward prices for gas are a key input in the determination of the recoverable amount of the Group's gas assets (including storage asset). 2023 has seen declines in the prices of this commodity, both in terms of observable market prices and forecast forward prices. As a result of both price declines, and increased operating costs, the Group assesses that the net recoverable value of the Rough storage asset has fallen below its carrying value and an impairment of £82 million has been recognised at the year-end. Impairment headroom remains for the Group's other significant fields at the year-end. As at 31 December 2023, this remains a key source of estimation uncertainty due to potential future price decreases. As a sensitivity, were gas prices in the liquid period (2024-28) to fall by 50% a post-tax impairment of £269 million would arise. Potential future price increases give rise to less estimation uncertainty, as the recoverable amounts of the Group's gas assets are capped at depreciated historic cost.

Further details of the assumptions used in determining the recoverable amounts and sensitivities to the assumptions are provided in note 6.

Nuclear investment

The recoverable amount of the Nuclear investment is based on the value of the existing UK nuclear fleet operated by EDF. The existing fleet value is calculated by discounting pre-tax cash flows derived from the stations based on forecast power generation and power prices, whilst taking account of outages and the likely operational lives of the stations. During the year, the recoverable amount has decreased, predominantly due to falling forecast commodity prices. This has resulted in an impairment of £549 million.

The key source of estimation uncertainty is commodity price forecasts, other input assumptions include production levels, application of the Electricity Generator Levy and station lives. Further details of these uncertainties, together with the methodology, assumptions and impairment booked during the year are provided in note 6, together with related sensitivities.

3. Critical accounting judgements and key sources of estimation uncertainty

(b) Key sources of estimation uncertainty

Revenue recognition – unread gas and electricity meters

Revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year-end (known as unread revenue). Unread gas and electricity comprises both billed and unbilled revenue. It is estimated through the billing systems, using historical consumption patterns, on a customer-by-customer basis, taking into account weather patterns, load forecasts and the differences between actual meter readings being returned and system estimates. Actual meter readings continue to be compared to system estimates between the balance sheet date and the finalisation of the accounts.

An assessment is also made of any factors that are likely to materially affect the ultimate economic benefits that will flow to the Group, including bill cancellation and re-bill rates. Estimated revenue is restricted to the amount the Group expects to be entitled to in exchange for energy supplied. The judgements applied, and the assumptions underpinning these judgements, are considered to be appropriate. However, a change in these assumptions would have an impact on the amount of revenue recognised. The primary source of estimation uncertainty relating to unread revenue arises in the respect of gas and electricity sales to UK downstream customers in British Gas Energy and Centrica Business Solutions, including where changes in customer behaviour in response to elevated prices, affects estimated consumption. At 31 December 2023 unread revenue arising from these customers amounted to £2,992 million (2022: £2,893 million). A change in these assumptions of 2% would impact revenue and profit by £60 million.

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of gas fields is reviewed periodically and is based on reserves, price levels and technology at the balance sheet date. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities, but are currently anticipated to be predominantly incurred by 2035.

The level of provision held is sensitive to the discount rate used to discount the estimated decommissioning costs. The real discount rate used to discount the decommissioning liabilities at 31 December 2023 is 1% (2022: 1%). There are a number of variable inputs into the calculation of discount rates including risk-free interest rates and debt and equity risk premium. A 1% change in this discount rate would change the decommissioning liability by approximately £85 million.

Gas and liquids reserves

The volume of proven and probable (2P) gas and liquids reserves is an estimate that affects the unit of production method of depreciating producing gas and liquids property, plant and equipment (PP&E) as well as being a significant estimate affecting decommissioning and impairment calculations.

The impact of a change in estimated 2P reserves is dealt with prospectively by depreciating the remaining book value of producing assets over the expected future production. If 2P reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down (impairment) of the asset's book value. A change in reserves estimates could also change the timing of decommissioning activity, which could change the carrying value of the Group's provisions. The complex interaction of field-specific factors means that it is not possible to give a meaningful sensitivity of the Group's financial position or performance to gas and liquids reserves estimates. The factors impacting gas and liquids estimates, the process for estimating reserve quantities and reserve recognition and details of the Group's 2P reserves are given on page 74. Details of impairments of exploration and production fields and goodwill, along with associated sensitivities, are given in note 6.

Determination of fair values – energy derivatives

The fair values of energy derivatives classified as Level 3 in accordance with IFRS 13 'Fair Value Measurement' are determined to be a key source of estimation uncertainty as they are not actively traded and their values are estimated by reference in part to published price quotations in active markets and in part by using complex valuation techniques. The key source of estimation uncertainty is future commodity prices and their inclusion in the reliable estimation of the unobservable components of the Group's Level 3 derivatives in an elevated and volatile commodity price environment.

Climate change

In preparing the financial statements, the Directors have considered the impact of climate change in the context of the risks and opportunities. There has been no material impact identified on the financial reporting judgements and estimates. The Directors specifically considered the impact of climate change in the following areas:

- Cash flow forecasts used in the impairment assessment of non-current assets, including goodwill;
- Carrying value and useful economic lives of property, plant and equipment;
- Recoverability of deferred tax assets; and
- Going concern and viability of the Group over the next three years.

Whilst there is no short-term impact expected from climate change, the Directors are aware of the risks and regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

Further detail is provided in the 'Climate change' note below.

3. Critical accounting judgements and key sources of estimation uncertainty

(c) Climate change

The Group's assessment of how climate-related issues might affect the business has been integrated into its annual strategic and financial planning process. At the same time, the Group reviews the potential impact of the material risks and opportunities and its Climate Transition Plan on both the current balance sheet position and its accounting policies (including the useful economic lives of its assets).

Summary of our most material risks & opportunities

TCFD category	Climate related trend	Potential impact
Transition: Policy, Markets and Technology	Transition away from fossil fuelled heating	Risk: Reduced GM from the sale and servicing of natural gas residential boilers and commercial Combined, Heat and Power (CHP) units at British Gas Services & Solutions (BG S&S), Centrica Business Solutions (CBS) and Bord Gáis Energy (Bord Gáis)
Transition: Policy, Markets and Technology	Growth in low carbon heating market	Opportunity: Increased sales and servicing of electric and hydrogen fuelled heating systems, and associated opportunities in energy efficiency at BG S&S, CBS and Bord Gáis
Transition: Policy, Markets and Technology	Transition away from natural gas	Risk: Reduced GM from the sale of natural gas from fuel switching and energy efficiency at British Gas Energy (BGE), CBS and Bord Gáis
Transition: Policy, Markets and Technology	Growth in low carbon heating market	Opportunity: Increased sales of electricity and green/low carbon hydrogen at BGE, CBS and Bord Gáis
Transition: Markets	Growth of EV transport market	Opportunity: Access to new and growing value pools related to EV charging installs, operation and maintenance (O&M), and energy supply at BG S&S and Bord Gáis
Transition: Energy Source	Growth in demand for renewable energy	Opportunity: Strong growth in solar and battery markets driven by decarbonisation at CBS, Bord Gáis and BG S&S
Physical Chronic	Rising mean temperatures	Risk: Reduced sales of natural gas and electricity for heat at BGE, CBS and Bord Gáis

IFRS dictates how each asset or liability should be accounted for (e.g. cost, fair value or other measurement criteria) and accordingly, there is a fundamental difference between the holistic forward-looking risk and opportunities business analysis, and the possible sensitivity of current accounting carrying values to these risks and opportunities.

For example, whilst the activity of supplying gas to customers or servicing/installing gas boilers is clearly subject to climate-related risks (and opportunities), the balance sheet does not reflect an overall value of those businesses (aside from an element of goodwill). Instead, accounting balances related to these businesses generally manifest themselves in short-term working capital assets and liabilities associated with procuring and selling gas or servicing/installing boilers; with those balances generally settled within six months and so specifically less exposed to climate risks.

In a similar vein, Upstream assets are tested for impairment in accordance with relevant IFRS accounting standards. These generally require the recoverable amount of the asset to be calculated based on a best estimate of long-term forecast commodity prices, which the Group estimates based on current market prices and the consensus of reputable commodity pricing consultants forecasts. However, these estimates are not consistent with net zero scenarios from the consultants (as they do not factor in any prospective, yet to be announced legislative or market changes that would be required to meet temperature targets) and hence impairment reviews are not based on net zero scenario forward prices. The Group instead discloses the impact on the carrying value of Upstream assets by way of sensitivity analysis (see note 6(c)).

3. Critical accounting judgements and key sources of estimation uncertainty

(c) Climate change

Accordingly, the Group is mindful of these dynamics when it considers which areas of the balance sheet are exposed to key estimation uncertainty from climate-related issues. The Group considers which assets are most exposed to impairment from climate risks and similarly whether there are any liabilities that are either currently unrecognised or might increase as a result of those risks.

The Group's assets/liabilities have been segmented into three tranches, grading each balance's exposure to climate risks/opportunities:

(i) Higher risk – As the consumption of gas and power is intrinsically linked to carbon emissions, their pricing is consequently exposed to climate and legislative risk. Accordingly, where assets or contract values have a key dependency on commodity price assumptions, those assets (or contracts) are deemed higher risk.

(ii) Medium risk – Gross margin energy transition considerations and their potential impact on forward-looking balances (e.g. Supply and Services and Energy Trading goodwill) and decommissioning balances in E&P.

(iii) Lower risk – No significant risk identified on the basis that positions are short-term in nature or are specifically linked to the energy transition or are immaterial.

The key non-current asset (and decommissioning provision) balance sheet items have been presented in more granular detail below, together with the groupings into the above risks and with rationale set out below the table:

As at 31 December 2023 related to (£m):	Goodwill	Intangibles	Investment in associates	Property, plant & equipment	Deferred tax assets	Decommissioning provision
Energy Supply	197					
Customer relationships		14				
Application software		117				
Energy Services	63					
Customer relationships		6				
Brand (mainly Dyno)		57				
Application software		107				
Battery storage				66		
Electric vehicles (vans/cars)				55		
Non-Electric vehicles (vans/cars)				50		
Energy Trading	145					
Customer relationships		2				
Application software		27				
LNG vessel leases				100		
Gas Assets (E&P and Storage)						
E&P fields (Spirit)				1,015	(69)	(1,191)
E&P tax losses (Spirit)					94	
Gas storage facility (Rough)				8	145	(319)
Power Assets						
Nuclear investment			903			
Gas-fired power stations / engines				233		(17)
Combined heat and power (CHP) / other power assets				53		
Solar				39		
Group/Other						
Application software		10				
Land & buildings (i)				145		
Derivatives deferred tax (i)					343	
Other (i)				82	(57)	
Total	405	340	903	1,846	456	(1,527)

(i) Land & buildings, Derivatives deferred tax and Other Property, plant & equipment/Deferred tax have not been allocated out across business type.

Higher
Medium
Lower

3. Critical accounting judgements and key sources of estimation uncertainty

(c) Climate change

All items noted above may be impacted by climate-related risks but are not currently considered to be key areas of judgement or sources of estimation uncertainty in the current financial year.

Higher risk

E&P field valuations are dependent on forecast commodity prices. Climate change risk means that there is uncertainty over gas demand and forecast prices. This is not currently a key source of estimation uncertainty because current liquid commodity prices mean that there is impairment headroom over current carrying values. Nonetheless, valuation sensitivity information based on a net zero price forecast has been provided in note 6(c) to show field values can move significantly. (Note that the Group's intention is to run-off remaining fields with most production forecast in the next five years. Decommissioning obligations will be substantively met by the early 2030s, whilst further investment in exploring for new gas fields has ceased.) Recoverability of E&P deferred tax assets associated with historic losses is dependent on future field profitability and so is subject to climate change risk.

The valuation of the investment in Nuclear is also highly dependent on forecast commodity prices. Climate change risks and opportunities means there is uncertainty over electricity demand and forecast prices. The underlying Nuclear stations, which produce electricity with no carbon emissions, have different useful economic lives, with the last station forecast to cease operating in 2055. Valuation sensitivity information based on a net zero price forecast has been provided in note 6(c).

Medium risk

The Group's small number of gas-fired power stations and engines are exposed to climate change risk, with valuations dependent on forecast gas and electricity prices and electricity demand. However, they are deemed medium risk as they do not have a significant carrying value in the context of the Group.

Similarly the Group's investment in CHP and Fuel Cell assets are also exposed to climate risk. They have useful economic lives of up to 15 years but they do not, individually or in total, have material carrying values.

LNG Vessels on the balance sheet are exposed to risk from climate change, but as they are leased assets with the current term remaining less than five years, this risk is reduced to medium.

The Group is in the process of transitioning to an electrified vehicle fleet. Non-electric vehicles are deemed medium risk because their remaining useful economic lives are generally quite short.

Decommissioning provisions are generally longer-term but this could be brought forward for E&P assets if the energy transition accelerates. However, as the decommissioning discount rate is only 1% (real), the balance sheet and income statement impact of earlier decommissioning would not be material.

Deferred tax associated with field accelerated capital allowances and decommissioning in E&P and Storage is not considered high risk due to the length of carry-back rules for decommissioning and the mechanical unwind of other temporary differences. Deferred tax assets associated with derivatives are considered medium risk as the derivatives generally realise within two years.

Energy Supply, Energy Services and Energy Trading Goodwill and Application Software are categorised as medium risk because the businesses are exposed to energy transition risk as a result of climate change. However, there are also significant opportunities for these businesses and the carrying values are not material.

Lower risk

All other assets denoted in the table above are considered lower risk because they are either specifically related to the energy transition (e.g. electric vehicles, battery storage) or are immaterial.

Other contracts

The Group also has long-term LNG supply contracts with Cheniere, Delfin and Mozambique. These are not reflected on the balance sheet but the Group has certain purchase commitments (see note 17). The contracts currently have significant value because of gas price locational spreads but are exposed to climate-change risk and therefore could ultimately become onerous in net zero scenarios. The commitments note provides detail of the length of the contracts and commodity purchase commitments.

4. Risk management

The Group's normal operating, investing and financing activities expose it to a variety of risks. Risk management is fundamental to the way the Group is governed and managed. The system of risk management and internal control is set out in the 2022 Annual Report and Accounts.

During 2023, the risks that were prioritised for leadership attention related to:

- risk of financial loss due to counterparty/customer/third party default, volatile commodity markets or a credit event limiting the availability of financial facilities or unsecured credit lines;
- risk of financial loss due to trends and volatilities in commodity prices;
- the impact on present or future profitability resulting from volume impacts as a result of deviation to normal weather;
- the risk of political or regulatory intervention and changes, failure to comply with laws and regulations, or greater regulatory scrutiny detecting unknown areas of non-compliance;
- risk of market, regulatory and policy changes driven by climate change affecting the ability of the Group to execute its strategy;
- failure to deliver satisfactory customer service, leading to complaints or loss of customers;
- risk of failure to attract, develop and retain key talent and/or risk of deterioration in the health and wellbeing of our colleagues;
- risk of occupational, transportation, customer/third party fatality or injury due to safety hazards;
- risk of failure to prevent impacts from the denial of service, cyber espionage and the related theft/disclosure of confidential/customer data leading to reputational, regulatory and financial impacts; and
- the risk that impaired structural or asset integrity, resulting from any of a failure in design, failure in appropriate maintenance and inspection, operating outside of design conditions and/or human error, leads to a major accident (such as loss of containment of flammable/hazardous materials or structural collapse) that could result in multiple fatalities and/or major damage to the environment.

Credit and liquidity risk has increased due to a notable increase in customer debt driven by cost of living challenges, high levels of fuel poverty and relatively high inflation impacting our customer's ability to pay for their energy supply. Political, legal and regulatory risks has heightened due to continued financial pressures facing many consumers and an impending UK general election.

Global wholesale energy prices have reduced since their peaks in 2022, however European gas and power prices remain above historical averages. While the war in Ukraine continues, alternative sources of gas to replace the Nord Stream 1 pipeline have been secured across Europe, largely through Liquified Natural Gas (LNG) shipped from outside the European continent. The Gaza conflict has the potential to increase market volatility if wider Middle Eastern states are caught up in the conflict. The gas storage capacity for Rough has been increased from 30 to 54 billion cubic feet of gas, and Ofgem (the UK regulator) has agreed to extend the exemption to negotiated third-party access until April 2030. The strategic goal for Rough is to act as one of the world's largest natural gas and hydrogen storage facilities and to play a key part of energy security infrastructure within Great Britain and the wider European market.

In July 2023 the Group announced a new Investment Plan, to invest between £600m–£800m a year until 2028 primarily in renewable generation, security and flexibility of supply, and our customers. Our investment strategy will channel capital investment to realise investment opportunities from moving to a low carbon future.

The FRC published an updated UK Corporate Governance Code in January 2024. We are already working to improve our Governance, control frameworks and assurance policies and will ensure this work aligns with the latest requirements.

Financial risks are assessed at a Business Unit (BU) level to determine the impact and likelihood. During the BU and Group level risk reviews, the adequacy of mitigating actions are considered given the net residual risk scores in comparison to the Group risk appetite.

Bi-annually, the Group Financial Risks are presented to the Centrica Leadership Team (CLT) for review and challenge. These include the aggregate risk assessments from the BU 'bottom-up' process and any Group level risk assessments. All Group Principal Risks including Financial risks as updated by the CLT are presented to the Audit and Risk Committee for review.

The four main areas of financial risk are managed as follows:

(i) commodity price risk management is carried out in accordance with the individual business unit policies and directives including appropriate escalation routes, as approved by the Group Hedging Policy Committee;

(ii) treasury risk management, including management of currency risk, interest rate risk and liquidity risk is carried out by a central Group Treasury function in accordance with the Group's Financing and Treasury policy, as approved by the Board;

(iii) wholesale credit risks associated with commodity trading and treasury positions are managed in accordance with the Group's Credit Risk Policy, including appropriate escalation routes; and

(iv) downstream customer credit risk management is carried out in accordance with individual business unit credit policies.

Credit risk for financial assets

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. The Group continually reviews its rating thresholds for relevant counterparty credit limits and updates these as necessary, based on a consistent set of principles. It continues to operate within its limits. In respect of trading activities across Europe there is an effort to maintain a balance between exchange-based trading and bilateral transactions. This allows for a reasonable balance between counterparty credit risk and potential liquidity requirements. In addition, the Group actively manages the trade-off between credit and liquidity risks by optimising the use of contracts with collateral obligations and physically settled contracts without collateral obligations.

Liquidity risk management and going concern

The Group has a number of treasury and risk policies to monitor and manage liquidity risk. Cash forecasts identifying the Group's liquidity requirements are produced regularly and are stress tested for different scenarios, including, but not limited to, reasonably possible increases or decreases in commodity prices and the potential cash implications of a credit rating downgrade. The Group seeks to ensure that sufficient financial headroom exists for at least a twelve month period to safeguard the Group's ability to continue as a going concern, and as at the reporting date, the analysis performed by the Group extends to 31 December 2025. It is the Group's policy to maintain committed facilities and/or available surplus cash resources of at least £1,500 million, raise at least 75% of its gross debt (excluding non-recourse debt) in the capital market and to maintain an average term to maturity in the recourse long-term debt portfolio greater than five years.

At 31 December 2023 the Group had undrawn committed credit facilities of £3,784 million (2022: £3,951 million) and £5,525 million (2022: £3,687 million) of unrestricted cash and cash equivalents, net of outstanding overdrafts. 80% (2022: 82%) of the Group's gross debt has been raised in the long-term debt market and the average term to maturity of the long-term debt portfolio was 10.5 years (2022: 9.9 years).

The Group's liquidity is impacted by the cash posted or received under margin and collateral agreements. The terms and conditions of these agreements depend on the counterparty and the specific details of the transaction. Margin/collateral is generally posted or received to support energy trading and procurement activities. It is posted when contracts with marginable counterparties are out of the money and received when contracts are in the money. Cash is generally returned to the Group or by the Group within two days of trade settlement. At 31 December 2023 the collateral position was as follows:

31 December	**2023 £m**	2022 £m
Collateral (received)/posted included within:		
Trade and other payables	**(184)**	(601)
Trade and other receivables	**260**	1,154
Collateral posted extinguishing:		
Net derivative liabilities (i)	**164**	270
Net collateral posted (ii)	**240**	823

(i) Variation margin on daily settled derivatives results in the extinguishment of the net derivative asset/liability. These contracts remain outstanding until a future delivery date, and therefore the cumulative daily settlement is considered collateral until that fulfilment date.

(ii) In-year movements of net collateral posted include exchange adjustments of £2 million (2022: £61 million).

The Group utilises initial margin waiver facilities to help manage its liquidity and working capital position in relation to derivative trading. For certain types of trade, initial margin is a requirement before entering into a transaction, as it provides credit assurance for the exchange. As initial margin is not a liability of the Group and is refundable, it is reflected as a margin asset on the Group's balance sheet. Accordingly, where counterparties waive any requirement to post initial margin, the Group has no liability.

The level of undrawn committed bank facilities and available cash resources has enabled the Directors to conclude that the Group has sufficient headroom to continue as a going concern.

5. Segmental analysis

The Group's reporting segments are those used internally by management to run the business and make decisions. The Group's segments are based on products and services as well as the major factors that influence the performance of these products and services across the geographical locations in which the Group operates.

(a) Segmental structure

The types of products and services from which each reportable segment derived its income during the year are detailed below. All reportable segments are operating segments. Income sources are reflected in total Group revenue unless otherwise stated:

Segment	Description
British Gas Services & Solutions	• The installation, repair and maintenance of domestic central heating and related appliances, and the provision of fixed-fee maintenance/breakdown service and insurance contracts in the UK; and • the supply of new technologies and energy efficiency solutions in the UK.
British Gas Energy	• The supply of gas and electricity to residential and small business customers in the UK.
Bord Gáis Energy	• The supply of gas and electricity to residential, commercial and industrial customers in the Republic of Ireland; • the installation, repair and maintenance of domestic central heating and related appliances in the Republic of Ireland; • the procurement, trading and optimisation of energy in the Republic of Ireland [(i)]; and • power generation in the Republic of Ireland [(i)].
Centrica Business Solutions	• The supply of gas and electricity to business customers in the UK [(i)]; • the supply of energy services and solutions to large organisations in the UK, Europe and North America; and • the development and operation of large-scale power assets in the UK and Europe.
Centrica Energy	• The procurement, trading and optimisation of energy in the UK and Europe [(i)]; and • the global procurement and sale of LNG.
Upstream	• The production and processing of gas and liquids principally within Spirit Energy [(i)]; • the sale of power generated from nuclear assets in the UK; and • gas storage in the UK.

(i) Where income is generated from contracts in the scope of IFRS 9, this is included in re-measurement and settlement of derivative energy contracts.

5. Segmental analysis

(b) Revenue

Gross segment revenue includes revenue generated from the sale of products and services to other reportable segments of the Group. Total Group revenue reflects only the sale of products and services to third parties. Sales between reportable segments are conducted on an arm's length basis.

	2023			2022		
Year ended 31 December	Gross segment revenue £m	Less inter-segment revenue £m	Total Group revenue £m	Gross segment revenue £m	Less inter-segment revenue £m	Total Group revenue £m
British Gas Services & Solutions	1,597	(57)	1,540	1,527	(50)	1,477
British Gas Energy	17,742	—	17,742	13,096	—	13,096
Bord Gáis Energy	1,815	—	1,815	1,771	—	1,771
Centrica Business Solutions	3,522	(6)	3,516	3,000	(19)	2,981
Centrica Energy	7,732	(476)	7,256	14,441	(219)	14,222
Upstream	2,935	(1,430)	1,505	3,351	(3,261)	90
Total Group revenue included in business performance	35,343	(1,969)	33,374	37,186	(3,549)	33,637
Less: revenue arising on contracts in scope of IFRS 9 included in business performance			(6,916)			(9,896)
Total Group revenue			26,458			23,741

The table below shows the total Group revenue arising from contracts with customers, and therefore in the scope of IFRS 15, and revenue arising from contracts in the scope of other standards. The key economic factors impacting the nature, timing and uncertainty of revenue and cash flows are considered to be driven by the type and broad geographical location of the customer. The analysis of IFRS 15 revenue below reflects these factors.

	2023				
Year ended 31 December	Revenue from contracts with customers in scope of IFRS 15 [(i)] £m	Revenue from fixed-fee service and insurance contracts in scope of IFRS 17, and leasing contracts in scope of IFRS 16 £m	Total Group revenue £m	Revenue in business performance arising from contracts in scope of IFRS 9 £m	Total Group revenue included in business performance £m
Energy services and solutions	727				
British Gas Services & Solutions	727	813	1,540	—	1,540
Energy supply - UK	17,742				
British Gas Energy	17,742	—	17,742	—	17,742
Energy supply - Republic of Ireland	1,438				
Bord Gáis Energy	1,438	—	1,438	377	1,815
Energy supply - UK	2,232				
Energy services	208				
Centrica Business Solutions	2,440	4	2,444	1,072	3,516
Energy sales to trading and energy procurement counterparties	3,132				
Centrica Energy	3,132	29	3,161	4,095	7,256
Gas and liquid production	133				
Upstream	133	—	133	1,372	1,505
	25,612	846	26,458	6,916	33,374

(i) The Group has recognised £3,698 million (2022: £1,539 million) of revenue from the Government in relation to the Energy Price Guarantee scheme for domestic customers in the British Gas Energy segment. A further £448 million (2022: £219 million) of revenue has been recognised in respect of the Energy Bill Relief Scheme. £320 million (2022: £175 million) of this total relates to Centrica Business Solutions customers and £128 million (2022: £44 million) relates to non-domestic customers in the British Gas Energy segment.

5. Segmental analysis

	2022				
	Revenue from contracts with customers in scope of IFRS 15 £m	Revenue from fixed-fee service and insurance contracts in scope of IFRS 17, and leasing contracts in scope of IFRS 16 £m	Total Group revenue £m	Revenue in business performance arising from contracts in scope of IFRS 9 £m	Total Group revenue included in business performance £m
Energy services and solutions	625				
British Gas Services & Solutions	625	852	1,477	—	1,477
Energy supply - UK	13,096				
British Gas Energy	13,096	—	13,096	—	13,096
Energy supply - Republic of Ireland	1,323				
Bord Gáis Energy	1,323	—	1,323	448	1,771
Energy supply - UK	1,465				
Energy services	249				
Centrica Business Solutions	1,714	14	1,728	1,253	2,981
Energy sales to trading and energy procurement counterparties	5,639				
Centrica Energy	5,639	16	5,655	8,567	14,222
Gas and liquid production	462				
Upstream	462	—	462	(372)	90
	22,859	882	23,741	9,896	33,637

Geographical analysis of revenue and non-current assets

The Group monitors and manages performance by reference to its operating segments and not solely on a geographical basis. However, provided below is an analysis of revenue and certain non-current assets by geography.

	Total Group revenue (based on location of customer)		Non-current assets (based on location of assets) (i)	
Year ended 31 December	**2023 £m**	2022 £m	**2023 £m**	2022 £m
UK	**22,207**	17,480	**2,875**	3,827
Republic of Ireland	**1,438**	1,323	**229**	152
Scandinavia (including Denmark)	**919**	1,473	**170**	181
North America	**390**	867	**12**	14
Rest of the world	**1,504**	2,598	**314**	353
	26,458	23,741	**3,600**	4,527

(i) Non-current assets comprise goodwill, other intangible assets, PP&E, interests in joint ventures and associates and non-financial assets within trade and other receivables, and contract-related assets.

5. Segmental analysis

(c) Adjusted gross margin and adjusted operating profit/(loss)

The measure of profit used by the Group is adjusted operating profit. Adjusted operating profit is operating profit before exceptional items and certain re-measurements. This includes business performance results of equity-accounted interests.
This note also details adjusted gross margin. Both measures are reconciled to their statutory equivalents.

	Adjusted gross margin		Adjusted operating profit/(loss)	
Year ended 31 December	**2023 £m**	2022 £m	**2023 £m**	2022 £m
British Gas Services & Solutions	**616**	504	**47**	(9)
British Gas Energy (i)	**2,141**	1,114	**751**	72
Bord Gáis Energy	**139**	160	**1**	31
Centrica Business Solutions	**309**	238	**104**	44
Centrica Energy	**1,016**	1,558	**774**	1,400
Upstream	**999**	1,874	**1,083**	1,793
Segmental adjusted gross margin/adjusted operating profit	**5,220**	5,448	**2,760**	3,331
Reconciling items to Group Income Statement:				
Colleague profit share (ii)	**(3)**	(9)	**(8)**	(23)
Total Group adjusted gross margin/adjusted operating profit	**5,217**	5,439	**2,752**	3,308
Certain re-measurements:				
Onerous energy supply contract provision movement	**833**	1,766	**833**	1,766
Derivative contracts	**3,573**	(5,160)	**3,573**	(5,160)
Share of re-measurement of certain associates' energy contracts (net of taxation)	**—**	—	**(1)**	1
Gross profit	**9,623**	2,045		
Exceptional items in operating profit			**(645)**	(155)
Operating profit/(loss) after exceptional items and certain re-measurements			**6,512**	(240)

(i) Included within British Gas Energy adjusted operating profit in 2023 is a £84 million (2022: £50 million) charge relating to increases in the British Gas Energy Support Fund, supporting downstream customers. £62 million of this charge is booked as a revenue deduction and £22 million within operating costs.

(ii) The impact of the colleague profit share is excluded because management considers it unrelated to segmental business performance.

5. Segmental analysis

(d) Included within adjusted operating profit

Presented below are certain items included within adjusted operating profit, including a summary of impairments of property, plant and equipment and write-downs relating to exploration and evaluation assets.

	Depreciation and impairments of property, plant and equipment		Amortisation, write-downs and impairments of intangibles	
Year ended 31 December	**2023 £m**	2022 £m	**2023 £m**	2022 £m
British Gas Services & Solutions	**(42)**	(31)	**(12)**	(16)
British Gas Energy	**(3)**	(3)	**(54)**	(79)
Bord Gáis Energy	**(9)**	(8)	**(11)**	(13)
Centrica Business Solutions	**(11)**	(13)	**(26)**	(32)
Centrica Energy	**(30)**	(31)	**(18)**	(15)
Upstream	**(281)**	(481)	**—**	—
Other (i)	**(28)**	(31)	**(17)**	(24)
	(404)	(598)	**(138)**	(179)

(i) The Other segment includes corporate functions, subsequently recharged.

Impairments and write-downs of PP&E
During 2023, £9 million of impairments of PP&E (2022: £88 million) were recognised within business performance.

Impairments and write-downs of intangible assets
During 2023, £15 million of impairments of other intangible assets (2022: £20 million) were recognised within business performance.

5. Segmental analysis

(e) Capital expenditure

Capital expenditure represents additions, other than assets acquired as part of business combinations or asset purchase agreements, to property, plant and equipment and intangible assets. Capital expenditure has been reconciled to the related cash outflow.

	Capital expenditure on property, plant and equipment		Capital expenditure on intangible assets other than goodwill	
Year ended 31 December	**2023 £m**	2022 £m	**2023 £m**	2022 £m
British Gas Services & Solutions	**45**	52	**32**	25
British Gas Energy	**—**	—	**565**	582
Bord Gáis Energy	**69**	3	**7**	4
Centrica Business Solutions	**80**	47	**193**	205
Centrica Energy	**5**	—	**14**	14
Upstream	**95**	124	**18**	13
Other	**79**	26	**—**	—
Capital Expenditure	**373**	252	**829**	843
Capitalised borrowing costs (note 7)	**(2)**	—	**—**	—
Inception of new leases and movements in payables and prepayments related to capital expenditure	**(89)**	(49)	**4**	5
Capital expenditure cash outflow subsequent to transfer to held for sale	**—**	109	**—**	10
Purchases of emissions allowances and renewable obligation certificates (i)	**—**	—	**(780)**	(799)
Net cash outflow	**282**	312	**53**	59

(i) Purchases of emissions allowances and renewable obligation certificates of £565 million (2022: £578 million) in British Gas Energy, £193 million (2022: £203 million) in Centrica Business Solutions, £18 million (2022: £13 million) in Upstream, and £4 million (2022: £5 million) in Centrica Energy.

5. Segmental analysis

(f) Free cash flow

Free cash flow is used by management to assess the cash-generating performance of each segment, after taking account of the need to maintain its capital asset base. By excluding deficit reduction payments and movements in collateral and margin cash, which are predominantly triggered by wider market factors, and in the case of collateral and margin movements, represent timing movements, free cash flow is used by management as an adjusted measure of the cash generation of the business. Free cash flow excludes investing cash flows that are related to adjusted net cash/debt. This measure is reconciled to the net cash flow from operating and investing activities.

Year ended 31 December	2023 £m	2022 £m
British Gas Services & Solutions	**64**	(19)
British Gas Energy (i)	**302**	1,283
Bord Gáis Energy	**(146)**	81
Centrica Business Solutions	**220**	(48)
Centrica Energy (ii)	**1,354**	199
Upstream (iii)	**1,236**	1,539
Other (iv)	**(20)**	26
Segmental free cash flow excluding tax	**3,010**	3,061
Taxes paid	**(803)**	(574)
Total free cash flow	**2,207**	2,487
UK pension deficit payments (note 14)	**(180)**	(214)
Movements in variation margin and collateral (note 4)	**585**	(1,173)
Interest received	**267**	46
Purchase and settlement of securities	**(12)**	(398)
	2,867	748
Net cash flow from operating activities	**2,752**	1,314
Net cash flow from investing activities	**115**	(566)
Total cash flow from operating and investing activities	**2,867**	748

(i) British Gas Energy free cash flow in 2023 includes significant working capital outflows of approximately £500 million largely related to the impact of falling commodity prices. British Gas Energy free cash flow in 2022 includes £440 million received under the Energy Bill Support Scheme, which was disclosed as restricted cash, and accelerated cash flows of approximately £700 million under the Energy Price Guarantee.

(ii) Centrica Energy free cash flow in 2023 includes operating cash inflows of around £580 million driven by profit on 2022 derivative positions cash settling during the year. Centrica Energy free cash flow in 2022 includes cash outflows associated with increased gas in storage, and working capital movements of approximately £500 million. Centrica Energy adjusted operating profit in 2022 included a significant portion of unrealised derivative positions.

(iii) Upstream free cash flow in 2023 includes inflows of £55 million relating to deferred consideration received from the 2022 Spirit Norway disposal, and realised hedge cash outflows of £34 million (2022: £161 million) have been incurred relating to the Norwegian assets, but were held outside the disposal groups. £630 million of free cash flow excluding tax in 2022 relates to the Norwegian disposal groups, including its disposal cash flows. £300 million of taxes paid in 2022 relate to the Norway disposal group.

(iv) The Other segment includes corporate functions.

6. Exceptional items and certain re-measurements

(a) Certain re-measurements

Certain re-measurements are the fair value movements on energy contracts entered into to meet the future needs of our customers or to sell the energy produced from our upstream assets. These contracts are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued, and are therefore separately identified in the current period and reflected in business performance in future periods when the underlying transaction or asset impacts the Group Income Statement.

If the future costs to fulfil customer supply contracts, including the mark-to-market reversal of any energy hedging contracts entered into to meet this demand, exceed the charges recoverable from customers, an onerous contract provision will be recognised. Because the associated hedging gains or losses will be recognised in certain re-measurements, the movements in the onerous provision will also be recognised in certain re-measurements.

Year ended 31 December	2023 £m	2022 £m
Certain re-measurements recognised in relation to energy contracts:		
Net gains/(losses) arising on delivery of contracts	3,529	(1,403)
Net gains/(losses) arising on market price movements and new contracts	44	(3,757)
Net re-measurements included within gross profit before onerous supply contract provision	3,573	(5,160)
Onerous energy supply contract provision movement (i)	833	1,766
Net re-measurements included within gross profit	4,406	(3,394)
Net (loss)/gain arising on re-measurement of certain associates' contracts (net of taxation)	(1)	1
Net re-measurements included within Group operating profit	4,405	(3,393)
Taxation on certain re-measurements (note 8) (ii)	(1,649)	1,000
Certain re-measurements after taxation	2,756	(2,393)

(i) The onerous supply contract provision represents the future costs to fulfil customer contracts on a current market price basis. During the period, this provision has been fully unwound. The associated hedging gains or losses are separately recognised within the gains/losses arising on market price movements and new contracts. The movement in the onerous provision is detailed in note 3(b).

(ii) Taxation on onerous energy supply contracts amounted to a £196 million debit (2022: £295 million debit) and taxation on other certain re-measurements amounted to £1,453 million debit (2022: £1,295 million credit).

Year ended 31 December	2023 £m	2022 £m
Total re-measurement and settlement of derivative energy contracts excluding:	(6,175)	(8,484)
IFRS 9 business performance revenue	(6,916)	(9,896)
IFRS 9 business performance cost of sales	16,664	13,220
Unrealised certain re-measurements recognised in relation to energy contracts included in gross profit	3,573	(5,160)
Onerous contract provision movement (cost of sales)	833	1,766
Total certain re-measurements	4,406	(3,394)

The table below reflects the certain re-measurement derivative movements by business segment:

Year ended 31 December	2023 £m	2022 £m
UK Energy Supply (British Gas Energy and Centrica Business Solutions)	506	(6,364)
Upstream/Centrica Energy/Bord Gáis	3,067	1,204
Unrealised certain re-measurements recognised in relation to energy contracts included in gross profit	3,573	(5,160)

6. Exceptional items and certain re-measurements

(b) 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. Items which may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings, pension change costs or credits, significant debt repurchase costs and asset write-downs/impairments and write-backs.

Year ended 31 December	2023 £m	2022 £m
Loss on disposal of E&P Norway	—	(362)
Impairment of gas storage asset (i)	(82)	—
(Impairment)/write-back of power assets (ii)	(563)	207
Exceptional items included within Group operating profit (iii)	**(645)**	(155)
Net exceptional item taxation (note 8) (iv)	54	(207)
Total exceptional items recognised after taxation	**(591)**	(362)

(i) In the Upstream segment, an impairment of the Rough gas storage asset of £82 million (post-tax £59 million) has been recorded as a result of a reduction in both forecast gas prices and forecast summer/winter gas price spreads.

(ii) In the Upstream segment, an impairment of the Nuclear investment of £549 million (post-tax £549 million) (2022: write-back of £195 million (post-tax £195 million)) has been recorded predominantly as a result of the decrease in forecast power prices offset by the positive effect of life extensions at Heysham and Hartlepool. In the Centrica Business Solutions segment, an impairment of £14 million (post-tax £11 million) (2022: write-back of £12 million (post-tax £9 million)) has been recorded, predominantly related to a battery storage asset and a gas engine, also following lower forecast commodity prices. See note 6(c).

(iii) Exceptional items for 2023 are non-cash. The cash flows recorded as payments relating to exceptional charges of £6 million (2022: £24 million) in the Group Cash Flow Statement relate to previous year exceptional restructuring costs.

(iv) Exceptional item taxation includes a credit of £28 million associated with net deferred tax asset recognition predominantly related to exploration and production PRT carry-back, offset by a reduction in the expected recovery of tax losses and investment allowance, due to the reduction in forecast commodity prices. This item is unrelated to the other exceptional items.

6. Exceptional items and certain re-measurements

(c) Impairment accounting policy, process and sensitivities

The information provided below relates to the assets and CGUs (or groups of CGUs) that have been subject to impairment during the year.

Exceptional impairment assessments of assets measured on a value-in-use (VIU) basis

Segment	Asset/CGU	Basis for impairment assessment	Recoverable amount £m	Impairment £m
Upstream	Nuclear (i)	The decrease in short-term baseload power prices has more than offset the impact of life extensions at Heysham 1 and Hartlepool stations	903	549

(i) During the year ended 31 December 2022, an impairment write-back of £195 million was booked in relation to the Nuclear investment. The recoverable amount at the end of 2022 was £1,560 million.

Nuclear

A VIU calculation has been used to determine the recoverable amount of the Group's investment in Nuclear. The cash flows incorporated in the valuation are based on detailed business forecasts in the short term, extrapolated to future years to account for the expected generation profile of the fleet for its remaining life. Assumptions include forward commodity prices, capacity rates, fuel and network costs, and operating and capital expenditure requirements. Price assumptions are based on liquid market prices for 2024 to 2027 which are then blended over a one-year period to long-term price forecasts. Long-term price assumptions derived from third-party market comparator median curves are used due to alignment with pricing that a reasonable market participant would use.

The Electricity Generator Levy, applying a 45% tax rate to revenues generated over £75/MWh until 31 March 2028, based on the above price assumptions, has also been included in the assessment. See notes 1 and 3.

In March 2023, the Nuclear business announced that estimated operating lifetimes at the Heysham 1 and Hartlepool stations would be extended by two years to March 2026, with a range of plus or minus one year. Based on prices at 31 December 2023, the lifetime extensions increase the value of the Group's investment in Nuclear by £131 million. The plus/minus one-year range would impact value by an increase of £48 million or a decrease of £53 million.

The VIU calculation assumes that the Sizewell plant operates until 2055, reflecting a 20-year extension beyond its original design life. In the absence of this extension, the carrying value of the Group's investment in Nuclear would be reduced by £98 million. All other stations' life assumptions are aligned to lifetime closure dates announced by the operator (being between March 2026 and March 2028).

The VIU calculation is also sensitive to changes in outage assumptions, and the base level generation volumes assumed for the fleet were decreased during the period based on a review of planned and unplanned outages. A reduction of 5% in the unplanned outage rate applied to volumes across the Nuclear fleet would lead to a write-back movement of £125 million.

The future pre-tax cash flows generated by the investment in the associate are discounted using a pre-tax nominal discount rate of 17.3% (2022: 24.8%). This equated to a post-tax rate of 8.5% (2022: 8.0%). The post-tax discount rate is initially derived from the Group weighted average cost of capital as adjusted for the risks associated with the asset and with reference to comparator companies. The pre-tax rate is then back-calculated by removing tax cash flows and assessing the rate that would give the same result as the post-tax rate. As baseload power prices for the liquid period remain higher than longer-term forecast prices, the near-term cash flows are elevated, which caused the pre-tax discount rate to remain high. A 2% increase in the post-tax discount rate would lead to an impairment of £56 million (when compared with the closing year-end carrying value). Similarly, a 2% reduction in the post-tax discount rate would lead to a write-back of £73 million.

The asset is particularly sensitive to changes in commodity price and the table below details average prices for the first 5- and 10-year periods and associated sensitivities. Note that the asset is valued for its entire economic life and not just this 15-year period.

	Five-year liquid and blended-period price (i)		Ten-year long-term average price (i)		Change in pre/post-tax write-back/(impairment) (ii) +10%		Change in pre/post-tax write-back/(impairment) (ii) -10%	
	2024-2028	2023-2027	2029-2038	2028-2037				
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
	£/MWh	£/MWh	**£/MWh**	£/MWh	**£m**	£m	**£m**	£m
Baseload power	**71**	164	**56**	68	**148**	198	**(191)**	(198)
					+50% Five-year liquid and blended-period only		**-50% Five-year liquid and blended-period only**	
					325		**(672)**	

(i) Prices are shown in 2022 real terms.

(ii) A 10% change was historically deemed to represent a reasonably possible variation across the entire period covered by the liquid market and comparator curves used in the nuclear impairment test. Given the 2023, a further sensitivity has been included based on a 50% change in liquid and blend-period commodity prices only. 31 December 2023 sensitivities are impacted by the effect of the Electricity Generator Levy threshold of £75/MWh.

Furthermore, there is also uncertainty due to climate change and international governmental intervention to reduce CO_2 emissions and the likely impact this will have on both power demand and forecast prices. As a result, a further sensitivity is disclosed below based on the average forecast prices aligned to the net zero price curves issued by Aurora and Baringa (power analytics providers), which assumes governmental policies are put in place to achieve the temperature and net zero goals by 2050. This sensitivity retains the prices for the liquid period (four years) but replaces the longer term thereafter with the average of Aurora and Baringa's forecast prices for net zero.

6. Exceptional items and certain re-measurements

	Ten-year long-term average price (i)	Change in pre/post-tax impairment (ii)
	2029-2038	
	2023	£m
Baseload power (£/MWh)	56	(15)

(i) Prices shown in 2022 real terms. The Ten-Year long-term average net zero price is the same as the Group's base case but the annual price profiles differ.
(ii) Change would lead to a small further write-off of the carrying value.

Exceptional impairments/write-back of assets measured on a FVLCD basis

Segment	Asset/CGU (or group of CGUs)	Basis for impairment assessment	Recoverable amount (i) £m	FV hierarchy	Impairment £m
Upstream	Rough gas storage asset	The reduction in both forecast NBP gas prices and forecast summer/winter NBP gas price spreads	(183)	L3	82

(i) Recoverable amount includes the decommissioning costs associated with the gas field, together with related tax impacts. The decommissioning provision for Rough at the year-end is £319 million.

Fair value less costs of disposal (FVLCD) is determined by discounting the post-tax cash flows expected to be generated by the assets or CGU, net of associated selling costs, taking into account those assumptions that market participants would use in estimating fair value. Post-tax cash flows used in the FVLCD calculation are based on the Group's Board-approved business plans and strategic shape assumptions, together with, where relevant, long-term production and cash flow forecasts.

An exceptional impairment has been recorded in 2023 for the Rough gas storage asset measured on a FVLCD basis. No other Upstream gas assets have been impaired during the year but they still have a significant carrying value on the balance sheet and accordingly further sensitivities (including for the Rough gas storage asset) are provided in the paragraph below:

Upstream gas assets (including Rough gas storage asset)

For Upstream gas assets post-tax cash flows are derived from projected production profiles of each field, taking into account forward prices for gas and liquids over the relevant period. Where forward market prices are not available (i.e. outside the active period for each commodity), prices are determined based on the median of third-party market comparator curves. The date of cessation of production depends on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, production costs, the contractual duration of the licence area and the selling price of the gas and liquids produced. As each field has specific reservoir characteristics and economic circumstances, the post-tax cash flows for each field are computed using individual economic models. Price assumptions are critical and use liquid market prices for 2024 to 2027, blended over a one-year period to long-term price forecasts. Long-term price assumptions derived from third-party market comparator median curves are deemed best aligned with pricing that a reasonable market participant would use. Following the implementation of the Energy Profits Levy, the increased tax rates have been included in the FVLCD calculations until the sunset date of 31 March 2028. For the Rough gas storage asset, in addition to the above process associated with its cushion gas production, an assessment is also made of value to be derived from cycling gas in and out of the reservoir (predominantly from summer/winter NBP gas spreads). This assessment utilises the forward market prices noted above and is also used to calculate the optimum cushion gas production date to maximise the recoverable amount of the asset.

The future post-tax cash flows are discounted using a post-tax nominal discount rate of 11.0% (2022: 10.5%).

As forward commodity prices are a key assumption in these valuations, average prices and associated impairment sensitivities for the Group's upstream gas assets are shown below. Note that the fields are valued over their respective economic lives and the 5- and 10-year pricing information shown below is just to provide context. Note that the asset portfolio reserves are predominantly gas (rather than liquids) and therefore only NBP figures have been shown below.

	Five-year liquid and blended-period price (i)		Ten-year long-term average price (i)		Change in post-tax write-back/(impairment) (ii) (iii)			
					+10%		-10%	
	2024-2028	2023-2027	2029-2038	2028-2037				
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
NBP (p/th)	71	155	61	75	6	—	(5)	—
					+50% Five-year liquid and blended-period only		-50% Five-year liquid and blended-period only	
					32		(269)	

(i) Prices are shown in 2022 real terms.
(ii) Sensitivity relates to Upstream exploration and production assets and CGUs (including gas storage assets). A 10% change was historically deemed to represent a reasonably possible variation across the entire period covered by both the liquid market and longer-term comparator curves used in upstream gas impairment tests. Given the significant movements in commodity prices during the last few years, a further sensitivity has been included based on a 50% change in liquid and blend-period commodity prices only. The changes shown relate to further write-backs or impairments and are restricted because the most material fields have already been written back to their depreciated historic cost and have excess impairment headroom.

6. Exceptional items and certain re-measurements

Furthermore, there is also uncertainty due to climate change and international governmental intervention to reduce CO_2 emissions and the likely impact this will have on gas demand and forecast prices. As a result, a further sensitivity is disclosed below based on forecast prices aligned to an average of the International Energy Agency's (IEA), Aurora and Baringa's net zero emissions by 2050, which assumes governmental policies are put in place to achieve the temperature and net zero goals by 2050. This sensitivity retains the prices for the liquid period (four years) but replaces the longer term thereafter with the average of these forecast prices for net zero emissions by 2050.

	Ten-year long-term average price (i)	Change in post-tax write-back/ (impairment) (ii)
	2029-2038	
	2023	£m
NBP (p/th)	57	—

(i) Prices shown in 2022 real terms.

(ii) Change in impairment restricted due to the most material fields having already been written back to their depreciated historic cost and having excess impairment headroom, as well as most hydrocarbon production being in the liquid period and hence unaffected by net zero pricing.

7. Net finance cost

Financing costs mainly comprise interest on bonds and bank debt, the results of hedging activities used to manage foreign exchange and interest rate movements on the Group's borrowings and notional interest arising from the discounting of decommissioning provisions and pensions. An element of financing cost is capitalised on qualifying projects.
Investment income predominantly includes interest received from short-term investments in money market funds, bank deposits and government bonds.

	2023			2022		
Year ended 31 December	Financing costs £m	Investment income £m	Total £m	Financing costs £m	Investment income £m	Total £m
Cost of servicing net debt:						
Interest income	—	269	269	—	52	52
Interest cost on bonds, bank loans and overdrafts	(262)	—	(262)	(184)	—	(184)
Interest cost on lease liabilities	(12)	—	(12)	(6)	—	(6)
	(274)	269	(5)	(190)	52	(138)
Net (losses)/gains on revaluation	(2)	—	(2)	—	22	22
Notional interest arising from discounting	(14)	—	(14)	(3)	3	—
	(290)	269	(21)	(193)	77	(116)
Other interest charges (i)	(20)	—	(20)	(31)	—	(31)
Capitalised borrowing costs (ii)	2	—	2	4	—	4
Financing (cost)/income (iii)	(308)	269	(39)	(220)	77	(143)

(i) Other interest charges includes interest charged on cash collateral, and fees for letters of credit. The cash flow associated is £20 million (2022: £30 million).

(ii) Borrowing costs have been capitalised using an average rate of 8.39% (2022: 5.57%). The capitalised borrowing costs in 2022 relate entirely to the Norwegian assets held for sale, and subsequently disposed of.

(iii) Investment income has increased significantly during 2023, and as a result we have amended our Group Income Statement presentation to disclose investment income and financing costs separately.

8. Taxation

The taxation note details the different tax charges and rates, including current and deferred tax arising in the Group. The current tax charge is the tax payable on this year's taxable profits together with amendments in respect of tax provisions made in earlier years. This tax charge excludes the Group's share of taxation on the results of joint ventures and associates. Deferred tax represents the tax on differences between the accounting carrying values of assets and liabilities and their tax bases. These differences are temporary and are expected to unwind in the future.

Analysis of tax charge

	2023			2022		
Year ended 31 December	Business performance £m	Exceptional items and certain re-measurements £m	Results for the year £m	Business performance £m	Exceptional items and certain re-measurements £m	Results for the year £m
Current tax						
UK corporation tax	(535)	105	(430)	(331)	(262)	(593)
UK energy profits levy	(160)	11	(149)	(54)	21	(33)
UK petroleum revenue tax	1	—	1	2	—	2
Non-UK tax	(100)	—	(100)	(477)	32	(445)
Adjustments in respect of prior years – UK	3	(26)	(23)	(47)	24	(23)
Adjustments in respect of prior years – non-UK	2	—	2	(8)	—	(8)
Total current tax	(789)	90	(699)	(915)	(185)	(1,100)
Deferred tax						
Origination and reversal of temporary differences – UK	(92)	(1,312)	(1,404)	(128)	840	712
UK energy profits levy	34	(376)	(342)	23	(85)	(62)
Change in UK tax rate	(2)	(3)	(5)	(7)	242	235
UK petroleum revenue tax	—	52	52	6	(19)	(13)
Origination and reversal of temporary differences – non-UK	4	(20)	(16)	(89)	32	(57)
Adjustments in respect of prior years – UK	7	(26)	(19)	49	(27)	22
Adjustments in respect of prior years – non-UK	—	—	—	15	(5)	10
Total deferred tax	(49)	(1,685)	(1,734)	(131)	978	847
Total UK tax	(744)	(1,575)	(2,319)	(487)	734	247
Total non-UK tax	(94)	(20)	(114)	(559)	59	(500)
Total taxation on profit/(loss) for the year (i)	(838)	(1,595)	(2,433)	(1,046)	793	(253)

(i) Total taxation on profit/(loss) excludes taxation on the Group's share of profits of joint ventures and associates.

UK tax rates

Most activities in the UK are subject to the standard rate for UK corporation tax of 23.5% (2022: 19%). Upstream gas production activities are taxed at a rate of 30% (2022: 30%), a supplementary charge of 10% (2022: 10%), plus the energy profits levy of 35% (2022: 25%) to give an overall tax rate of 75% (2022: 65%). Certain upstream gas production assets in the UK are subject to the UK petroleum revenue tax (PRT) regime at the current tax rate of 0% (2022: 0%).

The UK corporation tax rate increased to 25% effective 1 April 2023, giving an overall rate of 23.5% for the year (being the average of 19% in the period to 31 March 2023 and 25% thereafter).

Non-UK tax rates

Taxation in non-UK jurisdictions, where the Group has a substantial presence, is calculated at the rate prevailing in those respective jurisdictions.

The main non-UK rates of corporation tax are 12.5% (2022: 12.5%) in Republic of Ireland, 22% (2022: 22%) in Denmark and 17% (2022: 17%) in Singapore.

Prior year adjustments reflect changes made to estimates or to judgements when further information becomes available.

9. Dividends

Dividends represent the return of profits to shareholders. Dividends are paid as an amount per ordinary share held. The Group retains part of the profits generated to meet future investment plans or to fund share buyback programmes.

	2023			2022		
	£m	Pence per share	Date of payment	£m	Pence per share	Date of payment
Prior year final dividend	113	2.00	20 Jul 2023	—	—	—
Interim dividend	73	1.33	16 Nov 2023	59	1.00	17 Nov 2022
	186			59		

The Directors propose a final dividend of 2.67 pence per ordinary share for the year ended 31 December 2023 (which would total £144 million based on shareholding at that date). The dividend will be paid on 11 July 2024 to those shareholders registered on 31 May 2024.

The Company has sufficient distributable reserves to pay dividends to its ultimate shareholders. Distributable reserves are calculated on an individual legal entity basis and the ultimate parent company, Centrica plc, currently has adequate levels of realised profits within its retained earnings to support dividend payments. At 31 December 2023, Centrica plc's Company-only distributable reserves were c.£4.5 billion (2022: c.£2.9 billion). On an annual basis, the distributable reserve levels of the Group's subsidiary undertakings are reviewed and dividends paid up to Centrica plc as appropriate to replenish its reserves.

10. Earnings per ordinary share

Earnings per share (EPS) is the amount of profit or loss attributable to each share. Basic EPS is the amount of profit or loss for the year divided by the weighted average number of shares in issue during the year. Diluted EPS includes the impact of outstanding share options.

Basic earnings per ordinary share has been calculated by dividing the profit attributable to equity holders of the Company for the year of £3,929 million (2022: loss of £782 million) by the weighted average number of ordinary shares in issue during the year of 5,569 million (2022: 5,869 million). The number of shares excludes 339 million ordinary shares (2022: 32 million), being the weighted average number of the Company's own shares held in the employee share trust and treasury shares repurchased during the year by the Group as part of the share buyback programme. These 339 million shares do not include shares expected to be repurchased as part of the Group's share buyback programme during 2024.

The Directors believe that the presentation of adjusted basic earnings per ordinary share, being the basic earnings per ordinary share adjusted for certain re-measurements and exceptional items, assists with understanding the underlying performance of the Group, as explained in note 2.

Information presented for diluted and adjusted diluted earnings per ordinary share uses the weighted average number of shares as adjusted for 91 million (2022: 68 million) potentially dilutive ordinary shares as the denominator, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

Basic to basic adjusted earnings per share reconciliation

	2023		2022	
Year ended 31 December	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	**3,929**	**70.6**	(782)	(13.3)
Net exceptional items after taxation (notes 2 and 6) (i)	**600**	**10.8**	279	4.8
Certain re-measurement (gains)/losses after taxation (notes 2 and 6) (i)	**(2,670)**	**(48.0)**	2,553	43.4
Earnings – adjusted basic	**1,859**	**33.4**	2,050	34.9
Earnings – diluted (ii)	**3,929**	**69.4**	(782)	(13.3)
Earnings – adjusted diluted (ii)	**1,859**	**32.8**	2,050	34.5

(i) Net exceptional items after taxation and certain re-measurement losses after taxation are adjusted to reflect the share attributable to non-controlling interests.

(ii) Potential ordinary shares are not treated as dilutive when they would decrease a loss per share.

11. Sources of finance

(a) Capital structure

The Group seeks to maintain an efficient capital structure with a balance of debt and equity as shown in the table below:

31 December	2023 £m	2022 £m
Gross debt	3,408	3,570
Shareholders' equity	3,877	1,017
Capital	7,285	4,587

Debt levels are restricted to limit the risk of financial distress and, in particular, to maintain a strong credit profile. The Group's credit standing is important for several reasons: to maintain a low cost of debt, limit collateral requirements in energy trading, hedging and decommissioning security arrangements, and to ensure the Group is an attractive counterparty to energy producers and long-term customers.

The Group monitors its current and projected capital position on a regular basis, considering a medium-term view of at least three years, and different stress case scenarios, including the impact of changes in the Group's credit ratings and significant movements in commodity prices. A number of financial ratios are monitored, including those used by the credit rating agencies.

The level of debt that can be raised by the Group is restricted by the Company's Articles of Association. Borrowing is limited to the higher of £10 billion and a gearing ratio of three times shareholder's equity. The Group funds its long-term debt requirements through issuing bonds in the capital markets and taking bank debt. Short-term debt requirements are met primarily through commercial paper or short-term bank borrowings. The Group maintains substantial committed facilities and uses these to provide liquidity for general corporate purposes, including short-term business requirements and back-up for commercial paper.

British Gas Insurance Limited (BGIL) is required to hold a minimum capital amount under PRA regulations and has complied with this requirement since its inception. BGIL's capital management policy and plan are subject to review and approval by the BGIL board. Reporting processes provide relevant and timely capital information to management and the board. A medium-term capital management plan forms part of BGIL's planning and forecasting process, embedded into approved timelines, management reviews and board approvals.

11. Sources of finance

(b) Adjusted net cash/(debt) summary

Adjusted net cash/(debt) predominantly includes capital market borrowings offset by cash, securities and certain hedging financial instruments used to manage interest rate and foreign exchange movements on borrowings. Presented in the derivatives and current and non-current borrowings, leases and interest accruals columns shown below are the assets and liabilities that give rise to financing cash flows.

				Other assets and liabilities			
	Current and non-current borrowings, leases and interest accruals £m	Derivatives £m	Gross debt £m	Cash and cash equivalents, net of bank overdrafts (i) (ii) £m	Current and non-current securities (iii) £m	Sub-lease assets £m	Adjusted net (debt)/ cash £m
Group adjusted net (debt)/cash at 1 January 2022	(3,899)	93	(3,806)	4,328	156	2	680
Disposal of business	6	—	6	(30)	(21)	—	(45)
Cash outflow from settlement and purchase of securities	—	—	—	(398)	398	—	—
Cash outflow for payment of capital element of leases	103	—	103	(103)	—	—	—
Cash outflow for repayment of borrowings (vi)	1,482	—	1,482	(1,482)	—	—	—
Cash inflow from short-term borrowings (vi)	(1,220)	—	(1,220)	1,220	—	—	—
Remaining cash inflow	—	—	—	796	—	—	796
Revaluation/interest receivable on securities	240	(238)	2	—	(11)	—	(9)
Financing interest paid	179	(8)	171	(172)	—	—	(1)
Increase in interest payable and amortisation of borrowings	(181)	—	(181)	—	—	—	(181)
New lease agreements and re-measurement of existing lease liabilities	(42)	—	(42)	—	—	—	(42)
Exchange adjustments	(85)	—	(85)	83	3	—	1
Group adjusted net (debt)/cash at 31 December 2022	(3,417)	(153)	(3,570)	4,242	525	2	1,199
Transfer of other investments from net debt (iv)	—	—	—	—	(27)	—	(27)
Acquisition of businesses (v)	(13)	—	(13)	—	—	—	(13)
Cash outflow from net purchase of securities	—	—	—	(12)	12	—	—
Cash outflow for payment of capital element of leases	93	—	93	(93)	—	—	—
Cash outflow for repayment of borrowings (vi)	1,155	—	1,155	(1,155)	—	—	—
Cash inflow from borrowings (vi)	(930)	—	(930)	930	—	—	—
Cash inflow from operating activities	—	—	—	2,752	—	—	2,752
Cash inflow from other investing activities (vii)	—	—	—	106	—	—	106
Cash outflow from other financing activities (viii)	—	—	—	(810)	—	—	(810)
Revaluation	(59)	44	(15)	—	9	—	(6)
Interest receivable on securities	—	—	—	—	23	—	23
Interest received on securities	—	—	—	21	(21)	—	—
Financing interest paid	177	41	218	(286)	—	—	(68)
Increase in interest payable and amortisation of borrowings, and impact of associated interest rate swaps	(186)	(51)	(237)	—	—	—	(237)
New lease agreements and re-measurement of existing lease liabilities	(158)	—	(158)	—	—	—	(158)
Exchange adjustments	49	—	49	(66)	—	—	(17)
Group adjusted net (debt)/cash at 31 December 2023	**(3,289)**	**(119)**	**(3,408)**	**5,629**	**521**	**2**	**2,744**

(i) Cash and cash equivalents includes £104 million (2022: £555 million) of restricted cash, of which £nil (2022: £440 million) relates to cash received from the Energy Bill Support Scheme, this scheme concluded in 2023. This includes cash totalling £2 million (2022: £6 million) within the Spirit Energy business that is not restricted by regulation but is managed by Spirit Energy's own treasury department.

(ii) Cash and cash equivalents are net of £814 million bank overdrafts (2022: £600 million).

(iii) Securities balances includes £405 million (2022: £403 million) of loans to the pension schemes and £12 million (2022: £nil) of other loans receivable, both measured at amortised cost, as well as £72 million (2022: £67 million) other debt instruments and £32 million (2022: £55 million) equity instruments, both measured at fair value. See note 14 for further details on pension loans provided.

(iv) Transfer of other investments represents the reclassification of certain minority investments to Other investments from Securities in the Group Balance Sheet. Cash outflows from these securities in 2022 were £2 million.

(v) Acquisition of business relates to the recognition of a £12 million external loan due to the step-up of the investment in Greener Ideas Limited from joint venture to subsidiary during the year, and the recognition of a £1 million lease liability acquired by Centrica Business Solutions during the year.

(vi) Repayment of borrowings comprises the repayment of £20 million short-term borrowing obtained during December 2022, £886 million repayment of commercial paper taken out during the period and a scheduled £249 million repayment of a 4.00% USD bond repaid on 16 October 2023. During the year other borrowings of £44 million were obtained. Bond repayment in 2022 comprises £36 million repayment of a 3.68% HKD bond repaid on 22 February 2022, and £246 million repayment of a 6.375% GBP bond repaid on 10 March 2022. In August 2022 the Group borrowed £1,200 million, which was repaid in September 2022.

(vii) Cash inflow from other investing activities excludes purchase of securities of £12 million, and interest received on securities of £21 million during the year.

(viii) Cash outflows from other financing activities comprise £17 million (2022: £273 million) of distributions to non-controlling interests (see note 15) proceeds of £6 million from exercise of share options (2022: £5 million payments for own shares), cash outflow of £186 million (2022: £59 million) for equity dividends and cash outflow of £613 million (2022: £43 million) related to the share buyback programme. There is a liability of £94 million (2022: £207 million) recognised at 31 December 2023 related to this programme.

11. Sources of finance

(c) Borrowings, leases and interest accruals summary

			2023			2022		
31 December	Coupon rate %	Principal m	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts			(814)	—	(814)	(600)	—	(600)
Bank loans (> 5 year maturity)			—	(130)	(130)	—	(143)	(143)
Other borrowings			(37)	(20)	(57)	(20)	—	(20)
Bonds (by maturity date):								
16 October 2023	4.000	US$302	—	—	—	(246)	—	(246)
4 September 2026 (i)	6.400	£52	—	(50)	(50)	—	(49)	(49)
16 April 2027	5.900	US$70	—	(55)	(55)	—	(58)	(58)
13 March 2029 (i)	4.375	£552	—	(497)	(497)	—	(471)	(471)
5 January 2032 (ii)	Zero	€50	—	(71)	(71)	—	(69)	(69)
19 September 2033 (i)	7.000	£770	—	(703)	(703)	—	(684)	(684)
16 October 2043	5.375	US$367	—	(284)	(284)	—	(299)	(299)
12 September 2044	4.250	£550	—	(539)	(539)	—	(539)	(539)
25 September 2045	5.250	US$50	—	(38)	(38)	—	(41)	(41)
10 April 2075 (i) (iii)	5.250	£450	—	(428)	(428)	—	(418)	(418)
			—	(2,665)	(2,665)	(246)	(2,628)	(2,874)
Obligations under lease arrangements			(98)	(286)	(384)	(88)	(237)	(325)
Interest accruals			(53)	—	(53)	(55)	—	(55)
			(1,002)	(3,101)	(4,103)	(1,009)	(3,008)	(4,017)

(i) Bonds or portions of bonds maturing in 2026, 2029, 2033 and 2075 have been designated in a fair value hedge relationship.

(ii) €50 million of zero coupon notes have an accrual yield of 4.2%, which will result in a €114 million repayment on maturity.

(iii) The Group has the right to repay at par on 10 April 2025 and every interest payment date thereafter.

12. Joint ventures and associates

Investments in joint ventures and associates represent businesses where we exercise joint control or significant influence and generally have an equity holding of up to 50%. These include the investment in Lake Acquisitions Limited, which owns the existing UK nuclear power station fleet. Share of results of joint ventures and associates represents the results of businesses where we exercise joint control or significant influence and generally have an equity holding of up to 50%.

(a) Share of results of joint ventures and associates

The Group's share of results of joint ventures and associates principally arises from its interest in Nuclear – Lake Acquisitions Limited, an associate, reported in the Upstream segment.

	2023			2022		
Year ended 31 December	Share of business performance £m	Share of exceptional items and certain re-measurements £m	Share of results for the year £m	Share of business performance £m	Share of exceptional items and certain re-measurements £m	Share of results for the year £m
Income	**680**	**—**	**680**	592	—	592
Expenses before exceptional items and certain re-measurements	**(397)**	**—**	**(397)**	(472)	—	(472)
Exceptional items and re-measurement of certain contracts	**—**	**(1)**	**(1)**	—	1	1
Operating profit/(loss)	**283**	**(1)**	**282**	120	1	121
Financing gain	**—**	**—**	**—**	3	—	3
Taxation on profit/(loss)	**(74)**	**—**	**(74)**	(31)	—	(31)
Share of post-taxation results of joint ventures and associates	**209**	**(1)**	**208**	92	1	93

(b) Interests in joint ventures and associates

	2023	2022
	Investments in joint ventures and associates £m	Investments in joint ventures and associates £m
1 January	**1,580**	1,628
Additions (i)	**9**	18
(Impairments)/write-backs (ii)	**(549)**	195
Share of profit for the year	**208**	93
Share of other comprehensive loss (iii)	**(95)**	(293)
Dividends	**(220)**	(60)
Disposals (iv)	**(28)**	—
Other movements	**(2)**	(1)
31 December	**903**	1,580

(i) The £9 million in 2023 relates to cash injections into Greener Ideas Limited.
(ii) The £549 million in 2023 relates to nuclear investment impairment (2022: £195 million write-back). See note 6 for further details.
(iii) Share of other comprehensive loss mainly relates to actuarial changes on pension schemes within the nuclear investment.
(iv) In 2023, the Group increased its equity interest in Greener Ideas Limited and obtained control of the entity from that point.

(c) Share of joint ventures' and associates' assets and liabilities

	2023			2022
31 December	Associates Nuclear £m	Other £m	Total £m	Total £m
Share of non-current assets	3,888	—	**3,888**	4,196
Share of current assets	780	—	**780**	842
	4,668	—	**4,668**	5,038
Share of current liabilities	(270)	—	**(270)**	(348)
Share of non-current liabilities	(2,449)	—	**(2,449)**	(2,613)
	(2,719)	—	**(2,719)**	(2,961)
Cumulative impairment	(1,046)		**(1,046)**	(497)
Interests in joint ventures and associates	**903**	**—**	**903**	1,580
Net cash included in share of net assets	**99**	**—**	**99**	112

13. Derivative financial instruments

The Group generally uses derivative financial instruments to manage the risk arising from fluctuations in the value of certain assets or liabilities associated with treasury management and energy sales and procurement, and for proprietary energy trading purposes. The Group also uses derivatives to hedge exchange risk.
For accounting purposes, derivatives are either classified as held for trading, in which case changes in their fair value are recognised in the Group Income Statement, or they are designated in hedging relationships. Where derivatives are in hedging relationships, the treatment of changes in their fair value depends on the nature of that relationship, and whether it represents a fair value hedge, a cash flow hedge, or a net investment hedge. The table below gives a high-level summary of the Group's accounting for its derivative contracts.

Purpose	Classification	Accounting treatment
Proprietary energy trading and treasury management.	Held for trading and fair value hedges.	Changes in fair value recognised in the Group's business performance results for the year.
Treasury management.	Cash flow hedges.	Effective portion of hedge initially recognised in the Group Statement of Other Comprehensive Income. Gains and losses are recycled to the Group Income Statement when the hedged item impacts profit or loss. Ineffective portions of the hedge are recognised immediately in the Group's business performance results for the year.
Energy procurement and optimisation.	Held for trading.	Changes in fair value recognised in the Group's exceptional items and certain re-measurements results for the year.

The carrying values of derivative financial instruments by product type for accounting purposes are as follows:

	2023		2022	
31 December	**Assets £m**	**Liabilities £m**	Assets £m	Liabilities £m
Derivative financial instruments – held for trading under IFRS 9:				
Energy derivatives – for procurement/optimisation	**1,733**	**(1,715)**	1,723	(5,400)
Energy derivatives – for proprietary trading	**1,418**	**(993)**	5,355	(4,256)
Foreign exchange derivatives	**85**	**(144)**	275	(268)
Derivative financial instruments in hedge accounting relationships:				
Interest rate derivatives	**—**	**(136)**	37	(221)
Foreign exchange derivatives	**36**	**(18)**	37	(6)
Total derivative financial instruments	**3,272**	**(3,006)**	7,427	(10,151)
Included within:				
Derivative financial instruments – current	**2,373**	**(2,391)**	6,034	(8,841)
Derivative financial instruments – non-current	**899**	**(615)**	1,393	(1,310)

The contracts included within energy derivatives are subject to a wide range of detailed specific terms, but comprise the following general components, analysed on a net carrying value basis:

31 December	**2023 £m**	2022 £m
Short-term forward market purchases and sales of gas and electricity:		
UK and Europe	**1,163**	(214)
Other derivative contracts including structured gas sale and purchase arrangements	**(720)**	(2,364)
Net total	**443**	(2,578)

14. Post-retirement benefits

The Group manages a number of final salary and career average defined benefit pension schemes. It also has defined contribution schemes. The majority of these schemes are in the UK.

(a) Summary of main post-retirement benefit schemes

Name of scheme	Type of benefit	Status	Country	Number of active members as at 31 December 2023	Total membership as at 31 December 2023
Centrica Engineers Pension Scheme	Defined benefit final salary pension	Closed to new members in 2006	UK	1,483	8,402
	Defined benefit career average pension	Closed to new members in 2022	UK	2,761	7,179
Centrica Pension Plan	Defined benefit final salary pension	Closed to new members in 2003	UK	1,400	8,408
Centrica Pension Scheme	Defined benefit final salary pension	Closed to new members in 2003	UK	1	10,120
	Defined benefit career average pension	Closed to new members in 2008	UK	734	4,191
	Defined contribution pension	Open to new members	UK	11,409	22,848
Bord Gáis Energy Company Defined Benefit Pension Scheme	Defined benefit final salary pension	Closed to new members in 2014	Republic of Ireland	89	169
Bord Gáis Energy Company Defined Contribution Pension Plan	Defined contribution pension	Open to new members	Republic of Ireland	317	455

The Centrica Engineers Pension Scheme (CEPS), Centrica Pension Plan (CPP) and Centrica Pension Scheme (CPS) form the significant majority of the Group's defined benefit obligation and are referred to below as the 'Registered Pension Schemes'. The other schemes are individually, and in aggregate, immaterial.

Independent valuations

The Registered Pension Schemes are subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employer contributions, which together with the specified contributions payable by the employees and proceeds from the schemes' assets, are expected to be sufficient to fund the benefits payable under the schemes.

The latest full actuarial valuations agreed and finalised with the Pension Trustees were carried out at the following dates: the Registered Pension Schemes at 31 March 2021 and the Bord Gáis Energy Company Defined Benefit Pension Scheme at 1 January 2023. These valuations have been updated to 31 December 2023 for the purpose of meeting the requirements of IAS 19. Investments held in all schemes have been valued for this purpose at market value.

Governance

The Registered Pension Schemes are managed by trustee companies whose boards consist of both company-nominated and member-nominated Directors. Each scheme holds units in the Centrica Combined Common Investment Fund (CCCIF), which holds the majority of the combined assets of the Registered Pension Schemes. The board of the CCCIF is currently comprised of seven directors: two independent directors (including the Chairman), two directors appointed by Centrica plc and one director appointed by each of the three Registered Pension Schemes.

Under the terms of the Pensions Act 2004, Centrica plc and each trustee board must agree the funding rate for its defined benefit pension scheme and a recovery plan to fund any deficit against the scheme-specific statutory funding objective. This approach was first adopted for the triennial valuations completed at 31 March 2006, and has been reflected in subsequent valuations, including the 31 March 2021 valuation.

14. Post-retirement benefits

(b) Risks

The Registered Pension Schemes expose the Group to the following risks:

Asset volatility

The pension liabilities are calculated using a discount rate set with reference to AA corporate bond yields. If the growth in plan assets is lower than this, this will create an actuarial loss within other equity. The CCCIF is responsible for managing the assets of each scheme in line with the risk tolerances that have been set by the trustees of the schemes, and invests in a diversified portfolio of assets. The schemes are relatively young in nature (the schemes opened in 1997 on the formation of Centrica plc on demerger from BG plc (formerly British Gas plc)), and only took on past service liabilities in respect of active employees.

The trustees significantly reduced their tolerance to scheme valuation risk in 2019, increasing inflation and interest rate hedges from one third to two thirds, and further de-risked thereafter such that there was an 85% hedge level (in relation to assets) at 2021 year-end. This de-risking included the use of collateralised gilt holdings in the Schemes' Liability-Driven Investment (LDI) portfolio (shown in the Pension scheme asset table in section (f) of this note within Liability matching assets).

Throughout 2022 and in particular during September, there were significant increases and volatility in gilt yields. This led to a significant fall in the value of assets invested in the UK Registered Pension Schemes' Liability-Driven Investment (LDI) funds, thereby driving collateral calls and temporarily reducing the hedge position. All liquid credit mandates were placed into redemption with proceeds directed to the LDI portfolio to increase collateral and reduce leverage.

In October 2022, the Group agreed to provide the Schemes with a £400 million two-year revolving, unsecured, interest-bearing credit facility, and a short-term £150 million loan. This money was immediately drawn down to purchase physical gilts to reduce the extent of interest rate and inflation risk. The short-term loan was repaid in December 2022 and the remaining £400 million credit facility is scheduled for repayment in October 2024. At the 2023 year-end, the £400 million loan (together with unpaid interest) is recorded in Securities from a Centrica plc Group perspective and as a reduction to scheme assets for the UK Registered Pension Schemes. The Securities balance is included within the Group's Adjusted net cash/(debt). See note 11(b).

The above events resulted in a reduction of both return-seeking and liquid assets within the portfolio, as well as a higher weighting to assets that are expected to better manage downside risk. At the 2023 year-end, the LDI and gilts portfolio provides a level of hedging against movements in long-term interest rates and inflation expectations at around 80% as a proportion of scheme assets. The schemes also benefit from further hedging arising from the other long-dated income unquoted asset portfolio.

Interest rate

A decrease in bond interest rates will increase the net present value of the pension liabilities. The relative immaturity of the schemes means that the duration of the liabilities is longer than average for typical UK pension schemes, resulting in a relatively higher exposure to interest rate risk. This risk is reduced via the hedging referred to in the Asset volatility section.

Inflation

Pensions in deferment, pensions in payment and pensions accrued under the career average schemes increase in line with the Retail Prices Index (RPI) and the Consumer Prices Index (CPI). Therefore, scheme liabilities will increase if inflation is higher than assumed, although in some cases caps are in place to limit the impact of significant movements in inflation. Furthermore, a pension increase exchange (PIE) option implemented in 2015 is available to future retirees, which gives the choice to receive a higher initial pension in return for giving up certain future increases linked to RPI, again limiting the impact of significant movements in inflation. Inflation risk is reduced via the hedging referred to in the Asset volatility section.

Longevity

The majority of the schemes' obligations are to provide benefits for the life of scheme members and their surviving spouses; therefore increases in life expectancy will result in an increase in the pension liabilities. The relative immaturity of the schemes means that there is comparatively little observable mortality data to assess the rates of mortality experienced by the schemes, and means that the schemes' liabilities will be paid over a long period of time, making it particularly difficult to predict the life expectancy of the current membership. Furthermore, pension payments are subject to inflationary increases, resulting in a higher sensitivity to changes in life expectancy.

Salary

Pension liabilities are calculated by reference to the future salaries of active members, and hence salary rises in excess of assumed increases will increase scheme liabilities. During 2011, changes were introduced to the final salary sections of CEPS and CPP such that annual increases in pensionable pay are capped to 2%, resulting in a reduction in salary risk. During 2016, a salary cap on pensionable pay for the CPS career average and CPP schemes was implemented, and in 2019 a similar change took place for CEPS. All of the 2011, 2016 and 2019 changes result in a reduction in salary risk.

High Court ruling

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK, although is subject to possible appeal in 2024. The Group is aware of this legal ruling and is assessing whether there is any potential impact upon the Group, although currently no conclusion has been reached therefore no quantification of any potential impact has been determined.

Foreign exchange

Certain assets held by the CCCIF are denominated in foreign currencies, and hence their values are subject to exchange rate risk.

The CCCIF has long-term hedging policies in place to manage interest rate, inflation and foreign exchange risks.

The table below analyses the total liabilities of the Registered Pension Schemes, calculated in accordance with accounting principles, by type of liability, as at 31 December 2023.

14. Post-retirement benefits

Total liabilities of the Registered Pension Schemes

31 December	2023 %
Actives – final salary – capped	11
Actives – final salary – uncapped and crystallised benefits	5
Actives – career average	4
Deferred pensioners	38
Pensioners	42
	100

(c) Accounting assumptions

The accounting assumptions for the Registered Pension Schemes are given below:

Major assumptions used for the actuarial valuation

31 December	2023 %	2022 %
Rate of increase in employee earnings:		
Subject to 2% cap	1.6	1.5
Other not subject to cap	2.6	2.9
Rate of increase in pensions in payment	3.0	3.3
Rate of increase in deferred pensions:		
In line with CPI capped at 2.5%	2.3	2.5
In line with RPI	2.9	3.0
Discount rate	4.6	4.7

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date have been based on a combination of standard actuarial mortality tables, scheme experience and other relevant data, and include an allowance for future improvements in mortality. The longevity assumptions for members in normal health are as follows:

Life expectancy at age 65 for a member

	2023		2022	
31 December	Male Years	Female Years	Male Years	Female Years
Currently aged 65	22.0	23.5	22.4	23.9
Currently aged 45	23.2	24.6	23.6	25.0

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuations of the pension schemes.

For the Registered Pension Schemes, marginal adjustments to the assumptions used to calculate the pension liability, or significant swings in bond yields or stock markets, can have a large impact in absolute terms on the net assets of the Group. Reasonably possible changes as at 31 December to one of the actuarial assumptions would have affected the scheme liabilities as set out below:

Impact of changing material assumptions

	2023		2022	
31 December	Increase/ decrease in assumption	Indicative effect on scheme liabilities %	Increase/ decrease in assumption	Indicative effect on scheme liabilities %
Rate of increase in employee earnings subject to 2% cap	1.00%	+/-1	1.00%	+1/-2
Rate of increase in pensions in payment and deferred pensions	1.00%	+15/-12	1.00%	+14/-12
Discount rate	1.00%	-16/+20	1.00%	-15/+19
Inflation assumption	1.00%	+15/-12	1.00%	+15/-12
Longevity assumption	1 year	+/-3	1 year	+/-2

The indicative effects on scheme liabilities have been calculated by changing each assumption in isolation and assessing the impact on the liabilities. For the reasonably possible change in the inflation assumption, it has been assumed that a change to the inflation assumption would lead to corresponding changes in the assumed rates of increase in uncapped pensionable pay, pensions in payment and deferred pensions.

The remaining disclosures in this note cover all of the Group's defined benefit schemes.

14. Post-retirement benefits

(d) Amounts included in the Group Balance Sheet

31 December	2023 £m	2022 £m
Fair value of plan assets	6,143	6,312
Present value of defined benefit obligation	(6,260)	(6,272)
Recognised in the Group Balance Sheet	(117)	40
Presented in the Group Balance Sheet as:		
Retirement benefit assets	64	150
Retirement benefit liabilities	(181)	(110)

The Trust Deed and Rules for the Registered Pension Schemes provide the Group with a right to a refund of surplus assets assuming the full settlement of scheme liabilities. The Trustees do not have the unilateral right to wind-up the schemes and cannot unilaterally enhance member benefits. The Group has not recognised any liability in relation to future contributions under its minimum funding agreement with the Trustees. No asset ceiling restrictions have been applied in the consolidated Financial Statements.

(e) Movements in the year

	2023		2022	
	Pension liabilities £m	Pension assets £m	Pension liabilities £m	Pension assets £m
1 January	(6,272)	6,312	(10,666)	10,666
Items included in the Group Income Statement:				
Current service cost	(22)	—	(84)	—
Contributions by employer in respect of employee salary sacrifice arrangements (i)	(24)	—	(21)	—
Total current service cost	(46)	—	(105)	—
Interest (expense)/income	(291)	300	(193)	196
Termination benefit	1	—	4	—
Items included in the Group Statement of Comprehensive Income:				
Returns on plan assets, excluding interest income	—	(474)	—	(4,559)
Actuarial gain from changes to demographic assumptions	357	—	34	—
Actuarial (loss)/gain from changes in financial assumptions	(49)	—	4,803	—
Actuarial loss from experience adjustments	(215)	—	(425)	—
Items included in the Group Cash Flow Statement:				
Employer contributions	—	236	—	264
Contributions by employer in respect of employee salary sacrifice arrangements	—	24	—	21
Other movements:				
Benefits paid from schemes	257	(257)	278	(278)
Other	(2)	2	(2)	2
31 December	(6,260)	6,143	(6,272)	6,312

(i) A salary sacrifice arrangement was introduced on 1 April 2013 for pension scheme members. The contributions paid via the salary sacrifice arrangement have been treated as employer contributions and included within the current service cost, with a corresponding reduction in salary costs.

In addition to current service cost on the Group's defined benefit pension schemes, the Group also charged £72 million (2022: £66 million) to operating profit in respect of defined contribution pension schemes. This included contributions of £25 million (2022: £20 million) paid via a salary sacrifice arrangement.

14. Post-retirement benefits

(f) Pension scheme assets

The market values of plan assets were:

	2023			2022		
31 December	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	**23**	**503**	**526**	19	486	505
Corporate bonds	**6**	**—**	**6**	24	—	24
High-yield debt	**18**	**1,238**	**1,256**	106	1,331	1,437
Liability matching assets	**2,860**	**—**	**2,860**	2,835	—	2,835
Other long-dated income assets	**—**	**1,204**	**1,204**	—	1,343	1,343
Property	**—**	**305**	**305**	—	366	366
Cash pending investment	**391**	**—**	**391**	205	—	205
Loan and interest	**—**	**(405)**	**(405)**	—	(403)	(403)
	3,298	**2,845**	**6,143**	3,189	3,123	6,312

Unquoted private equity, other long-dated income assets and debt funds are valued at fair value as calculated by the investment manager at the latest valuation date in accordance with generally accepted guidelines, adjusted for cash flow in the intervening period. Investment properties are valued in accordance with guidelines by independent valuers. These valuations are reviewed annually as part of the CCCIF audit and receive greater scrutiny now that unquoted assets make up a greater proportion of the scheme portfolio. Included within equities are £nil of ordinary shares of Centrica plc (2022: £nil) via pooled funds that include a benchmark allocation to UK equities. Included within corporate bonds are £nil (2022: £nil) of bonds issued by Centrica plc, albeit minor exposure may be held within pooled funds over which the CCCIF has no ability to direct investment decisions. Apart from the investment in the Scottish Limited Partnerships which form part of the asset-backed contribution arrangements described in section (g) of this note, no direct investments are made in securities issued by Centrica plc or any of its subsidiaries or property leased to or owned by Centrica plc or any of its subsidiaries. The corporate bond, high-yield debt and liability matching asset categories headings above have segregated portfolio mandates which include the cash, cash funds and derivatives associated with the mandates.

The liability matching assets in the table above relate to the quoted LDI and gilts portfolio used to hedge against movements in interest rates and inflation. The other long-dated income assets are unquoted investments in infrastructure and similar assets.

At 31 December 2023, the aggregate LDI and gilts portfolio was approximately 1.4 times leveraged (1 times being unleveraged) (2022: 1.3 times leveraged).

Included within the Group Balance Sheet within non-current securities are £104 million (2022: £95 million) of investments, held in trust on behalf of the Group, as security in respect of the Centrica Unapproved Pension Scheme. Of the pension scheme liabilities above, £49 million (2022: £49 million) relate to this scheme.

(g) Pension scheme contributions

The Group estimates that it will pay £53 million of ordinary employer contributions during 2024 for its defined benefit schemes, at an average rate of 21% of pensionable pay, together with £27 million of contributions paid via a salary sacrifice arrangement.

For the Registered Pension Schemes the last actuarial valuation was as at 31 March 2021. As at that date, the weighted average duration of the liabilities of the Registered Pension Schemes was 22 years and the technical provisions deficit (funding basis) was £944 million. The Group committed to additional annual cash contributions to fund this pension deficit. The overall deficit contributions, including the previously disclosed asset-backed contribution arrangements, totalled £175 million in 2021 (of which £99 million was after 31 March 2021), £204 million in 2022, £175 million in 2023; and will amount to £175 million per annum in 2024 and 2025, with a balancing payment of £116 million in 2026. Separately, a pension strain payment of £5 million associated with employee redundancies was also contributed in 2023 (2022: £10 million).

On a pure roll-forward basis, from 31 March 2021, using the same methodology and consequent assumptions, the technical provisions deficit (funding basis) would be around £900 million on 31 December 2023. Note that the valuation methodology and assumptions used for future assessments may differ from those previously used.

At the beginning of 2022, the Group had provided security of £745 million of letters of credit and £250 million cash in escrow to the Registered Pension Schemes. In October 2022, as part of the £400 million loan arrangement from Centrica plc to the Registered Pension Schemes (described in part (b) above), this security was reduced by £545 million, so that only £450 million of letters of credit remained. When this loan is repaid, currently due in October 2024, replacement security may be required (dependent on the funding position) and the form of security will be at the Group's discretion.

15. Acquisitions, disposals and disposal groups classified as held for sale

This section details business combinations, asset acquisitions and disposals made by the Group.

During the year Centrica Business Solutions acquired a number of companies with existing grid connections for the purpose of building power assets in line with the Group's strategy of being a flexible energy provider. The total consideration was £34 million with one transaction being accounted for as a business combination and the remainder as asset acquisitions. There have been no other material acquisitions or disposals either individually or in aggregate. There have been no material updates to the fair value of assets and liabilities recognised for businesses acquired in 2022.

During the year the Group increased its equity holding in Greener Ideas Limited from 50% to 80% for consideration of £nil at which point it obtained control and started acquisition accounting. Property, plant and equipment of £44 million were acquired as part of this acquisition alongside debt which meant that no goodwill arose.

During the period deferred consideration of £55 million was received in respect of the Spirit Norway disposal in 2022 and £17 million was distributed to SWM Bayerische E&P Beteiligungsgesellschaft mbH.

16. Trade and other receivables and contract related assets

Trade and other receivables include accrued income, and are amounts owed by our customers for goods we have delivered or services we have provided. These balances are valued net of expected credit losses. Other receivables include payments made in advance to our suppliers. Contract-related assets are balances arising as a result of the Group's contracts with customers in the scope of IFRS 15.

	2023		2022	
31 December	Current £m	Non-current £m	Current £m	Non-current £m
Financial assets:				
Trade receivables	2,991	—	2,207	—
Unbilled downstream energy income	1,065	—	1281	—
Trading and energy procurement accrued income (i)	1,782	—	3,179	—
Other accrued income	76	—	324	—
Cash collateral posted	260	—	1,154	—
Supplier of Last Resort receivables	45	3	253	22
Government scheme receivables	—	—	284	—
Other receivables (including contract assets)	176	101	346	24
	6,395	104	9,028	46
Less: provision for credit losses	(1,309)	—	(872)	—
	5,086	104	8,156	46
Non-financial assets: prepayments, other receivables and costs to obtain a contract with a customer (ii)	323	106	294	83
	5,409	210	8,450	129

(i) Trading and energy procurement counterparty receivables are typically with customers with external, published credit ratings. Such receivables have typically much lower credit risk than downstream counterparties, are settled in a short period of time and expected credit losses are not significant.

(ii) Includes costs of £10 million (2022: £14 million) incurred to obtain contracts with customers in the British Gas Energy and British Gas Services & Solutions segments. Costs are amortised over the expected tenure of the customer contract.

The amounts above include gross amounts receivable arising from the Group's IFRS 15 contracts with customers of £2,782 million (2022: £2,325 million). Additionally, accrued income of £1,115 million (2022: £1,371 million) arising under IFRS 15 contracts is included.

Trade and other receivables include financial assets representing the contractual right to receive cash or other financial assets from residential customers, business customers and treasury, trading and energy procurement counterparties as follows:

	2023		2022	
31 December	Current £m	Non-current £m	Current £m	Non-current £m
Financial assets by business type:				
Residential customers (i)	2,725	3	2,755	22
Business customers	1,516	98	1,750	22
Treasury, trading and energy procurement counterparties	2,154	3	4,523	2
	6,395	104	9,028	46
Less: provision for credit losses	(1,309)	—	(872)	—
	5,086	104	8,156	46

(i) Residential customers include current other receivables of £45 million (2022: £253 million) and non-current other receivables of £3 million (2022: £22 million) in relation to SoLR claims, see note 3(a) for further details.

16. Trade and other receivables and contract related assets

Credit loss charge for trade and other receivables

The impairment charge in trade receivables is stated net of credits for the release of specific provisions made in previous years, which are no longer required. These relate primarily to residential and business customers in the UK. Movements in the provision for credit losses by business type are as follows:

	2023				2022			
	Residential customers £m	Business customers £m	Treasury, trading and energy procurement counterparties £m	**Total £m**	Residential customers £m	Business customers £m	Treasury, trading and energy procurement counterparties £m	Total £m
1 January	(567)	(305)	—	**(872)**	(426)	(207)	—	(633)
Increase in impairment of trade receivables (predominantly related to credit impaired trade receivables) (i) (ii) (iii)	(396)	(198)	(16)	**(610)**	(234)	(124)	—	(358)
Receivables written off (iv)	113	60	—	**173**	93	26	—	119
31 December	(850)	(443)	(16)	**(1,309)**	(567)	(305)	—	**(872)**

(i) Includes £587 million (2022: £348 million) of credit losses related to trade receivables resulting from contracts in the scope of IFRS 15.

(ii) All loss allowances reflect the lifetime expected credit losses on trade receivables and contract assets.

(iii) Excludes recovery of previously written-off receivables of £8 million (2022: £7 million). Due to the large number of individual receivables and the matrix approach employed, any reduction in provision is reflected in a reduced charge for the relevant period, rather than in separately identifiable reversals of previous provisions.

(iv) Materially all write-offs relate to trade receivables where enforcement activity is ongoing. The gross carrying value of write-offs related to trade receivables where enforcement activity is ongoing was £142 million (2022: £105 million).

Year ended 31 December	**2023 £m**	2022 £m
Increase in impairment provision for trade receivables (per above)	**(610)**	(358)
Less recovery of previously written-off receivables	**8**	7
Credit losses on financial assets (per Group Income Statement)	**(602)**	(351)

Enforcement activity continues in respect of balances that have been written off unless there are specific known circumstances (such as bankruptcy) that render further action futile.

16. Trade and other receivables and contract related assets

Credit loss charge for trade and other receivables

Receivables from residential and business customers are generally considered to be credit impaired when the payment is past the contractual due date. The Group applies different definitions of default for different groups of customers, ranging from sixty days past the due date to six to twelve months from the issuance of a final bill. Receivables are generally written off only once a period of time has elapsed since the final bill. Contractual due dates range from falling due upon receipt to falling due in thirty days from receipt.

The table below shows credit impaired balances in gross receivables (those that are past due) and those that are not yet due and therefore not considered to be credit impaired.

Gross trade and other receivables

31 December	2023 £m	2022 £m
Balances that are not past due	**4,403**	7,414
Balances that are past due (i)	**1,992**	1,614
	6,395	9,028

(i) The majority of balances that are past due relate to residential and business customers, ageing of these receivables is included in the credit risk tables in the sections below.

The IFRS 9 impairment model is applicable to the Group's financial assets including trade receivables, contract assets and other financial assets using the simplified approach. As the majority of the relevant balances are trade receivables and contract assets to which the simplified model applies, this disclosure focuses on these balances.

The provision for credit losses for trade receivables and contract assets is based on an expected credit loss model that calculates the expected loss applicable to the receivable balance over its lifetime. Expected credit losses on receivables due from treasury, trading and energy procurement counterparties are not significant. For residential and business customers default rates are calculated initially by considering historical loss experience and applied to trade receivables within a provision matrix. The matrix approach allows application of different default rates to different groups of customers with similar characteristics. These groups are determined by a number of factors including: the nature of the customer, the payment method selected and, where relevant, the sector in which they operate. The characteristics used to determine the groupings of receivables are the factors that have the greatest impact on the likelihood of default. The rate of default increases once the balance is thirty days past due.

Concentration of credit risk in trade and other receivables

Treasury, trading and energy procurement counterparty receivables are typically with customers with external, published credit ratings. Such receivables have typically much lower credit risk than downstream counterparties, and that risk is assessed primarily by reference to the credit ratings rather than to the ageing of the relevant balance.

The Group continues to recover amounts receivable under the Last Resort Supplier Payment mechanism which was triggered when the Group was appointed as a Supplier of Last Resort to a number of energy suppliers who ceased to trade during 2021 and 2022. In accordance with Ofgem licence conditions, the Group submitted two claims for incremental costs reasonably incurred to supply affected customers. The first of these claims has now been settled, and the second is being settled in twelve monthly payments ending in April 2024. A further smaller claim is in process and expected to be settled by April 2025. The receivable outstanding at 31 December 2023 is £48 million (31 December 2022: £275 million). The claims are settled by network operators, to whom the Group separately pays transmission and distribution charges. The risk of default is considered low. In addition, Ofgem has the power under licensing conditions to take enforcement action against default in accordance with its statutory duties and its enforcement guidelines.

The Group's cash collateral balance has decreased to £260 million in 2023 (2022: £1,154 million) as a result of lower commodity prices. Collateral counterparties typically have strong credit ratings and accordingly have low credit risk; the Group does not expect credit losses to arise on these balances.

The majority of the Group's credit exposure arises in the British Gas Energy and Centrica Business Solutions segments and relates to residential and business energy customers. The credit risk associated with these customers is assessed as described above, using a combination of the age of the receivable in question, internal ratings based on a customer's payment history, and external data from credit rating agencies and wider macroeconomic information. The disclosures below reflect the information that is reported internally for credit risk management purposes in these segments.

16. Trade and other receivables and contract related assets

British Gas Energy credit risk

Of the Group total of £2,991 million (2022: £2,207 million) billed trade receivables, the British Gas Energy reporting segment contributes £2,380 million (2022: £1,531 million). British Gas Energy includes small business customers on the basis that their profile closely matches those of residential customers. As described above, credit risk is concentrated in receivables from energy customers who pay in arrears. Gross receivables from British Gas Energy residential customers amount to £1,651 million (2022: £992 million) and are analysed below.

Trade receivables due from British Gas residential energy customers as at 31 December (i)	2023					2022				
Days beyond invoice date (ii)	< 30 days £m	30-90 days £m	>90 days £m	**Total £m**	Percentage of credit risk	< 30 days £m	30-90 days £m	>90 days £m	Total £m	Percentage of credit risk
Risk profile										
Direct debits (iii)										
Gross receivables	310	55	171	**536**		216	51	66	333	
Provision	—	—	(7)	**(7)**		—	—	(23)	(23)	
Net	310	55	164	**529**	**1 %**	216	51	43	310	7 %
Payment on receipt of bill (iii)										
Gross receivables	114	71	650	**835**		118	54	286	458	
Provision	(4)	(9)	(412)	**(425)**		(4)	(7)	(180)	(191)	
Net	110	62	238	**410**	**51 %**	114	47	106	267	42 %
Final bills (iv)										
Gross receivables	21	27	232	**280**		12	13	176	201	
Provision	(4)	(12)	(199)	**(215)**		(3)	(6)	(140)	(149)	
Net	17	15	33	**65**	**77 %**	9	7	36	52	74 %
Total net British Gas residential energy customers trade receivables	**437**	**132**	**435**	**1,004**	**39 %**	339	105	185	629	37 %

(i) The receivables information presented in this table relates to downstream customers who pay energy bills using the methods presented. It excludes low residual credit risk amounts, such as balances in the process of recovery through pay-as-you-go energy (PAYGE) arrangements and amounts receivable from PAYGE energy vendors. Gross amounts in the process of recovery through PAYGE arrangements at 31 December 2023 are £154 million (2022: £203 million), against which a provision of £117 million is held (2022: £138 million).

(ii) This ageing analysis is presented relative to invoicing date and presents receivables according to the oldest invoice outstanding with the customer. There are a range of payment terms extended to residential energy customers. Amounts paid on receipt of a bill (PORB), which are settled using bank transfers, cash or cheques are typically due within fourteen days of invoicing. Direct debit customers typically pay in equal instalments over a twelve-month period.

(iii) Receivables settled by direct debit are deemed to present a lower credit risk than PORB amounts. This is reflected in the relative level of provision held for these types of receivables.

(iv) Final bill customers are those who are no longer customers of the Group and have switched energy supplier. These balances are deemed to have the highest credit risk.

Gross receivables from British Gas Energy small business customers amount to £575 million (2022: £336 million) and are analysed below.

Trade receivables due from British Gas small business energy customers as at 31 December	2023					2022				
Days beyond invoice date (i)	< 30 days £m	30-90 days £m	>90 days £m	**Total £m**	Percentage of credit risk	< 30 days £m	30-90 days £m	>90 days £m	Total £m	Percentage of credit risk
Risk profile										
Small businesses										
Gross receivables	115	53	407	**575**		64	21	251	336	
Provision	(3)	(8)	(302)	**(313)**		(1)	(2)	(191)	(194)	
Total net British Gas small business energy customers trade receivables	**112**	**45**	**105**	**262**	**54 %**	63	19	60	142	58 %

(i) This ageing analysis is presented relative to invoicing date and presents receivables according to the oldest invoice outstanding with the customer. There are a range of payment terms extended to business energy customers. Standard credit terms for small business customers are ten working days.

Unbilled downstream energy income at 31 December 2023 includes gross balances of £693 million in respect of British Gas energy customers (2022: £880 million), against which a provision of £56 million is held (2022: £36 million).

16.Trade and other receivables and contract related assets

Centrica Business Solutions energy credit risk

Of the Group total of £2,991 million (2022: £2,207 million) billed trade receivables, the Centrica Business Solutions reporting segment contributes £313 million (2022: £390 million). As described above, credit risk is concentrated in receivables from business energy customers who pay in arrears, the remaining balances being immaterial in disaggregation. Gross receivables from these customers amount to £269 million (2022: £346 million) and are analysed below.

Trade receivables due from Centrica Business Solutions business energy customers as at 31 December	2023					2022				
Days beyond invoice date [(i)]	< 30 days £m	30-90 days £m	>90 days £m	**Total £m**	Percentage of credit risk	< 30 days £m	30-90 days £m	>90 days £m	Total £m	Percentage of credit risk
Risk profile										
Commercial and industrial [(ii)]										
Gross receivables	75	9	26	**110**		170	9	31	210	
Provision	—	—	(13)	**(13)**		—	—	(15)	(15)	
Net	75	9	13	**97**	**12 %**	170	9	16	195	7 %
Medium-sized entities										
Gross receivables	50	19	90	**159**		47	15	74	136	
Provision	—	(1)	(57)	**(58)**		—	—	(49)	(49)	
Net	50	18	33	**101**	**36 %**	47	15	25	87	36 %
Total net Centrica Business Solutions business energy customers trade receivables	**125**	**27**	**46**	**198**	**26 %**	217	24	41	282	18 %

(i) This ageing analysis is presented relative to invoicing date and presents receivables according to the oldest invoice outstanding with the customer. There are a range of payment terms extended to business energy customers. Standard credit terms for medium-sized entity customers are ten working days. Credit terms for Commercial and Industrial customers are bespoke and are set based on the commercial agreement with each customer.

(ii) This category includes low credit risk receivables, including those from public sector and customers with high turnover (greater than £100 million).

Unbilled downstream energy income at 31 December 2023 includes gross balances of £239 million in respect of Centrica Business Solutions business energy customers (2022: £349 million), against which a provision of £14 million is held (2022: £14 million).

The remaining reporting segments which are not shown above are not considered to have material credit risk.

16.Trade and other receivables and contract related assets

Sensitivity to changes in assumptions

Typically, the most significant assumption included within the expected credit loss provisioning model that gives rise to estimation uncertainty is that future performance will be reflective of past performance and that there will be no significant change in the payment profile or recovery rates within each identified group of receivables. To address this risk, the Group reviews and updates default rates, by group, on a regular basis to ensure they incorporate the most up to date assumptions along with forward-looking information where available and relevant. The Group also considers regulatory changes and customer segment specific factors that may have an impact, now or in the future, on the recoverability of the balance.

The specific consideration of forward-looking information in the impairment model does not usually give rise to significant changes in the levels of credit losses. However, inflationary pressures and increasing wholesale gas and electricity costs continue to cause uncertainty in economic outlook. The economic recovery remains vulnerable and there remains a level of estimation uncertainty inherent in determining credit loss provisions for the Group's trade receivables.

Where customers experience difficulties in settling balances, the increased ageing of these amounts results in an increase in provisions held in respect of them under the provision matrix approach employed. The Group has also considered changes in customer payment patterns, the specific circumstances of the customers and the economic impacts of the factors identified above, on the sectors in which they operate. Whilst economic recovery is expected, a level of unpredictability remains apparent.

Customers are facing increases in their cost of living, including increased energy bills, higher inflation and higher interest rates. The Group has considered macroeconomic forecasts and sensitivities, as well as disposable income analysis from a credit rating agency, to model and determine the level of provisions for credit losses.

During 2023 the Group recognised credit losses of £602 million (2022: £351 million) in respect of financial assets, representing 2.3% of total Group revenue (2022: 1.5%) and 1.8% of total Group revenue from business performance (2022: 1.0%). As described above, the majority of the Group's credit exposure arises in respect of downstream energy receivables in British Gas Energy and Centrica Business Solutions. Credit losses in respect of these assets amounted to £554 million (2022: £331 million). This represents 2.6% (2022: 2.1%) of total UK downstream energy supply revenue from these segments of £21,046 million (2022: £15,814 million). Further details of segmental revenue are provided in note 5.

Due to the different level of risks presented by billed and unbilled receivables, these asset groups are considered separately in the analysis below.

Billed trade receivables

	31 December 2023 £m	31 December 2022 £m
Trade receivables [(i)]	**2,991**	2,207
Provision	**(1,240)**	(822)
Net balance	**1,751**	1385

	31 December 2023 %	31 December 2022 %
Provision coverage	**41**	37
Sensitivity	**£m**	£m
Impact on billed receivables/operating profit from 1 percentage point (increase)/decrease in provision coverage [(ii)]	**(30)/30**	(22)/22

(i) Excludes the Government receivables under the Energy Price Guarantee (EPG) and Energy Bill Relief Scheme (EBRS) schemes of £nil (2022: £284 million) which are not provided for.

(ii) Credit risk in the Group is impacted by a large number of interacting factors.

.

16.Trade and other receivables and contract related assets

Overall billed debt levels have increased significantly. Credit provisions have accordingly increased, primarily caused by the declining levels of cash collection performance. This has resulted in decreased recovery rates and increased provision rates for customers in the Group's downstream operations. Within this portfolio, the continued deterioration seen in the payment on receipt of bill collections performance, coupled with a change in the mix of debt within the portfolio, has particularly driven the increase in provision rates.

The macroeconomic environment remains challenging with higher inflation, higher interest rates, lower growth projections and more limited government support measures. The collection performance in relation to customers who pay on receipt of bill has declined steadily, with more customers being unable to pay their energy bills due to the cost-of-living crisis. The impact has been further exacerbated by the suspension of all field activity since January 2023, following the investigation into certain prepayment meter installation activity.

There remains significant uncertainty around the persistent impact of these factors on bad debt. Leading debt indicators including the number of customers going into debt, insolvency volumes in business and direct debit cancellation rates in residential have continued to deteriorate during 2023. High commodity prices and the delayed impact on customer payments have not yet been fully reflected in the underlying matrix output model used to record provision coverage, partly due to the continued inclusion of Government support measures which only ended in June 2023. Therefore, as part of management's assessment of adequacy of bad debt provisions, a £50 million increase to the macroeconomic provision has been recorded, the provision now totals £175 million across billed and unbilled debt and is included in the tables both above and below (2022: £125 million). Management considers the impact of specific cohorts of customers referenced in the previous tables when making this assessment, recognising the different credit terms and different risk profiles that exist. This assessment also utilises a range of factors, both internal and external, historic and forward-looking, and considers the sensitivities of these to help management estimate the likely recovery of debt.

It remains uncertain as to when and how these factors will reduce the collectability of debt and at what scale. The impact of future changes in commodity prices may also impact this. The table above and the unbilled section below provide details of the sensitivity of moving the debt provision by a further 1%.

The Group's services, upstream and trading operations are less susceptible to credit risk. No significant deterioration of credit risk has been experienced or is expected in the relevant segments in respect of billed trade receivables recognised at 31 December 2023, taking into account cash collection cycles in those areas of the Group and credit rating information.

Unbilled downstream energy income

The table below shows the IFRS 15 unbilled downstream energy income for the Group as a whole.

	31 December 2023 £m	31 December 2022 £m
Gross unbilled receivables	**1,065**	1281
Provision	**(69)**	(50)
Net balance	**996**	1231

	31 December 2023 %	31 December 2022 %
Provision coverage	**6**	4
Sensitivity	**£m**	£m
Impact on unbilled receivables/operating profit from 1 percentage point (increase)/decrease in provision coverage [i]	**(11)/11**	(13)/13

(i) Credit risk in the Group is impacted by a large number of interacting factors.

Unbilled downstream energy income is typically provided at a significantly lower rate than billed debt. This is because a large proportion of this debt once billed will be subject to the very short cash collection cycles of the Group's downstream energy supply businesses.

17. Commitments and contingencies

(a) Commitments and leases

Commitments are not held on the Group's Balance Sheet as these are executory arrangements, and relate to amounts that we are contractually required to pay in the future as long as the other party meets its contractual obligations.

The Group's commitments in relation to commodity purchase contracts disclosed below are stated net of amounts receivable under commodity sales contracts where there is a right of offset with the counterparty, and are based on the expected minimum quantities of gas and other commodities that the Group is contracted to buy at estimated future prices.

The Group's 20-year agreement with Cheniere to purchase 89bcf per annum of LNG volumes for export from the Sabine Pass liquefaction plant in the US commits the Group to capacity payments of £3.4 billion (included in 'LNG capacity' below) between 2023 and 2039. It also allows the Group to make up to £4.9 billion of commodity purchases based on market gas prices and foreign exchange rates as at the reporting date.

During 2019, the Group signed a 20-year agreement to purchase LNG volumes from Mozambique LNG1 Company. The commercial start date is 2025 and under this agreement the Group is committed to make commodity purchases expected to amount to £7.9 billion based on market gas and oil prices at the reporting date.

During 2023, the Group signed a 15-year agreement to purchase LNG volumes from Delfin LNG. The provisional commencement date is 2029 and under this agreement the Group is committed to make commodity purchases expected to amount to £4.2 billion based on market gas prices at the reporting date.

These LNG contracts are deemed to be own use and therefore are accounted for on an accruals basis. Based on forecast gas spreads, they are predicted to be profitable but due to their duration are exposed over a long period of time to the impact of governmental policy decisions in relation to climate change.

The Group has numerous renewable power purchase arrangements where renewable obligation certificates are purchased as power is produced. This gives rise to the commitments below.

31 December	2023 £m	2022 £m
Commitments in relation to the acquisition of PP&E	**56**	75
Commitments in relation to the acquisition of intangible assets:		
Renewable obligation certificates	**3,369**	3,642
Other intangible assets	**323**	194
Other commitments:		
Commodity purchase contracts	**40,908**	69,824
LNG capacity	**4,230**	3,894
Transportation capacity	**266**	320
Other long-term commitments (i)	**414**	459

(i) Other long-term commitments include amounts in respect of executory contracts and the smart meter roll-out programme.

The maturity analysis for commodity purchase contract commitments at 31 December is given below:

	Commodity purchase contract commitments			
	Fixed price commodity commitments		Commodity commitments that float with indices	
31 December	2023 £bn	2022 £bn	2023 £bn	2022 £bn
<1 year	**5.9**	13.0	**6.3**	15.4
1–2 years	**1.3**	2.3	**5**	10.9
2–3 years	**0.2**	0.9	**1.9**	7.5
3–4 years	**0.2**	0.1	**1.6**	2.3
4–5 years	**—**	—	**1.2**	1.8
>5 years	**0.1**	0.1	**17.2**	15.5
	7.7	16.4	**33.2**	53.4

17. Commitments and contingencies

(b) Guarantees and indemnities

This section discloses any guarantees and indemnities that the Group has given, where we may have to provide security in the future against existing and future obligations that will remain for a specific period.

In connection with the Group's energy trading, transportation and upstream activities, certain Group companies have entered into contracts under which they may be required to prepay, provide credit support or provide other collateral in the event of a significant deterioration in creditworthiness. The extent of credit support is contingent upon the balance owing to the third party at the point of deterioration.

As at 31 December 2023, £279 million (2022: £84 million) of letters of credit and on-demand payment bonds have been issued in respect of decommissioning obligations included in the Group Balance Sheet.

(c) Contingent liabilities

The Group has no material contingent liabilities.

18. Events after the balance sheet date

The Group updates disclosures in light of new information being received, or a significant event occurring, in the period between 31 December 2023 and the date of this report.

The Directors propose a final dividend of 2.67 pence per ordinary share for the year ended 31 December 2023 (which would total £144 million based on shareholding at this date). The dividend will be submitted for formal approval at the Annual General Meeting to be held on 5 June 2024 and, subject to approval, will be paid on 11 July 2024 to those shareholders registered on 31 May 2024.

Gas and Liquids Reserves (Unaudited)

The Group's estimates of reserves of gas and liquids are reviewed as part of the full year reporting process and updated accordingly.

A number of factors affect the volumes of gas and liquids reserves, including the available reservoir data, commodity prices and future costs. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

The Group discloses 2P gas and liquids reserves, representing the central estimate of future hydrocarbon recovery. Reserves for Centrica operated fields are estimated by in-house technical teams composed of geoscientists and reservoir engineers. Reserves for non-operated fields are estimated by the operator but are subject to internal review and challenge.

As part of the internal control process related to reserves estimation, an assessment of the reserves, including the application of the reserves definitions, is undertaken by an independent technical auditor. An annual reserves assessment has been carried out by DeGolyer & McNaughton for the Group's global reserves. Reserves are estimated in accordance with a formal policy and procedure standard.

The Group has estimated 2P gas and liquids reserves in Europe.

The principal retained fields in Spirit Energy are Cygnus, Morecambe Hub, Rhyl and Chiswick. The principal non-Spirit Energy field is Rough. The European reserves estimates are consistent with the guidelines and definitions of the Society of Petroleum Engineers, the Society of Petroleum Evaluation Engineers and the World Petroleum Council's Petroleum Resources Management System using accepted principles.

Estimated net 2P reserves of gas (billion cubic feet)	Spirit Energy (i)	Rough	**Total**
1 January 2023	261	16	**277**
Revisions of previous estimates (ii)	40	—	**40**
Production (iii)	(59)	(1)	**(60)**
31 December 2023	242	15	**257**

Estimated net 2P reserves of liquids (million barrels)	Spirit Energy (i)	Rough	**Total**
1 January 2023	1	—	**1**
Revisions of previous estimates (ii)	1	—	**1**
Production (iii)	(1)	—	**(1)**
31 December 2023	1	—	**1**

Estimated net 2P reserves (million barrels of oil equivalent)	Spirit Energy (i)	Rough	**Total**
31 December 2023 (iv)	42	3	**45**

(i) The movements represent Centrica's 69% interest in Spirit Energy.
(ii) Revision of previous estimates include those associated with Morecambe Hub, Chiswick and Cygnus.
(iii) Represents total sales volumes of gas and oil produced from the Group's reserves.
(iv) Includes the total of estimated gas and liquids reserves at 31 December 2023 in million barrels of oil equivalent.

Liquids reserves include oil, condensate and natural gas liquids.

Five Year Summary (Unaudited)

Year ended 31 December	2019 (restated) (i) £m	2020 (restated) (i) £m	2021 £m	2022 £m	**2023 £m**
Total Group revenue from continuing operations included in business performance	15,958	14,949	18,300	33,637	**33,374**
Operating profit/(loss) from continuing operations before exceptional items and certain re-measurements:					
British Gas Services & Solutions (i)	187	191	121	(9)	**47**
British Gas Energy (i)	117	82	118	72	**751**
Bord Gáis Energy (i)	50	42	28	31	**1**
Centrica Business Solutions (i)	(20)	(132)	(52)	44	**104**
Centrica Energy (i)	138	174	70	1,400	**774**
Upstream (i)	178	90	663	1,793	**1,083**
Colleague profit share	—	—	—	(23)	**(8)**
	650	447	948	3,308	**2,752**
Operating profit from discontinued operations before exceptional items and certain re-measurements (i)	251	252	—	—	**—**
Exceptional items and certain re-measurements after taxation	(1,531)	(520)	866	(2,755)	**2,165**
(Loss)/profit attributable to equity holders of the parent	(1,023)	41	1,210	(782)	**3,929**

	Pence	Pence	Pence	Pence	**Pence**
Earnings per ordinary share	(17.8)	0.7	20.7	(13.3)	**70.6**
Adjusted earnings per ordinary share	7.3	6.5	4.1	34.9	**33.4**
Dividend per share in respect of the year	1.5	—	—	3.0	**4.0**

Assets and liabilities

31 December (restated) (ii)	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**
Goodwill and other non-current intangible assets	4,033	1,940	1,161	1,116	**745**
Other non-current assets	5,826	4,767	6,040	7,234	**4,555**
Net current (liabilities)/assets	(696)	622	1,465	(1,023)	**4,930**
Non-current liabilities	(7,474)	(8,072)	(6,360)	(6,047)	**(5,997)**
Net assets of disposal groups held for sale	106	2,125	444	—	**—**
Net assets	1,795	1,382	2,750	1,280	**4,233**
Adjusted net (debt)/cash (ii) (note 11)	(3,507)	(2,998)	680	1,199	**2,744**

Cash flows

Year ended 31 December (restated) (ii)	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**
Cash flow from operating activities before exceptional payments	1,548	1,532	1,687	1,338	**2,758**
Payments relating to exceptional charges in operating costs	(298)	(132)	(76)	(24)	**(6)**
Net cash flow from investing activities	(503)	(285)	2,263	(566)	**115**
Cash flow before cash flow from financing activities	747	1,115	3,874	748	**2,867**

(i) Results have been restated to reflect the new operating structure of the Group, effective during 2021.
(ii) Results have been restated to reflect the change in definition of adjusted net cash/debt in 2021.

Additional Information – Explanatory Notes (Unaudited)

Definitions and reconciliation of adjusted performance measures

Centrica's 2023 Preliminary Results include a number of non-GAAP measures. These measures are chosen as they provide additional useful information on business performance and underlying trends. They are also used to measure the Group's performance against its strategic financial framework. They are not however, defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. Where possible they have been reconciled to the statutory equivalents from the primary statements (Group Income Statement ('I/S'), Group Balance Sheet ('B/S'), Group Cash Flow Statement ('C/F')) or the notes to the Financial Statements.

Adjusted revenue, adjusted gross margin, adjusted operating profit, adjusted earnings and free cash flow have been defined and reconciled separately in notes 2, 5 and 10 to the Financial Statements where further explanation of the measures is given. Additional performance measures are used within these Financial Statements to help explain the performance of the Group and these are defined and reconciled below. Further information has been provided to help readers when reconciling between different parts of the consolidated Group Financial Statements, and when reconciling cash flow measures to the Group Cash Flow Statement.

Adjusted EBITDA

Adjusted EBITDA is a business performance measure of operating profit, after adjusting for depreciation and amortisation. It provides a performance measure in its own right, and provides a bridge between the Income Statement and the Group's key cash metrics. Further, a reconciliation excluding Spirit Energy disposed assets is provided.

Year ended 31 December	Notes	2023 £m	2022 £m	Change
Group operating profit/(loss)	I/S	**6,512**	(240)	
Exceptional items included within Group operating profit/loss and certain re-measurements before taxation	6	**645**	155	
Certain re-measurements before taxation	6	**(4,405)**	3,393	
Share of profits of joint ventures and associates, net of interest and taxation (i)	I/S	**(209)**	(92)	
Depreciation and impairments of PP&E (i)	5	**404**	598	
Amortisation, write-downs and impairments of intangibles (i)	5	**138**	179	
Group total adjusted EBITDA		**3,085**	3,993	(23)%

(i) These line items relate to business performance only.

Adjusted EBITDA excluding Spirit Energy disposed assets

Year ended 31 December	Notes	2023 £m	2022 £m	Change
Group total adjusted EBITDA		**3,085**	3,993	
Less: disposed assets adjusted EBITDA (including associated hedges)		**—**	(485)	
Adjusted EBITDA excluding Spirit Energy disposed assets		**3,085**	3,508	(12)%

Adjusted operating profit excluding Spirit Energy disposed assets

Year ended 31 December	Notes	2023 £m	2022 £m	Change
Group total adjusted operating profit	I/S	**2,752**	3,308	
Less: disposed assets adjusted operating profit (including associated hedges)		**—**	(485)	
Adjusted operating profit excluding Spirit Energy disposed assets		**2,752**	2,823	(3)%

The below table shows how adjusted EBITDA reconciles to free cash flow:

Year ended 31 December	Notes	2023 £m	2022 £m
Adjusted EBITDA		**3,085**	3,993
Group operating profit/(loss) including share of joint ventures and associates, from exceptional items and certain re-measurements	I/S	**3,760**	(3,548)
Share of losses/(profits) of joint ventures and associates, net of interest and taxation, from exceptional items and certain re-measurements	I/S	**1**	(1)
Depreciation, amortisation, write downs, impairments and write-backs, from exceptional items and certain re-measurements	I/S	**645**	(207)
Loss on disposals	C/F	**—**	343
Decrease in provisions	C/F	**(1,021)**	(1,903)
Cash contributions to defined benefit schemes in excess of service cost income statement charge	C/F	**(215)**	(184)
Employee share scheme costs	C/F	**31**	10
Unrealised (gains)/losses arising from re-measurement of energy contracts	C/F	**(2,949)**	4,095
Net movement in working capital	C/F	**244**	(656)
Taxes paid	C/F	**(803)**	(574)
Operating interest paid	C/F	**(20)**	(30)
Payments relating to exceptional charges in operating profit	C/F	**(6)**	(24)
Net cash flow from operating activities		**2,752**	1,314
Purchase of businesses, net of cash acquired	C/F	**(34)**	12
Sale of businesses, including receipt of deferred consideration	C/F	**55**	92
Purchase of property, plant and equipment and intangible assets	C/F	**(335)**	(371)
Sale of property, plant and equipment and intangible assets	C/F	**—**	11
Investments in joint ventures and associates	C/F	**(9)**	(18)
Dividends received from joint ventures and associates	C/F	**220**	60
Net purchase of other investments	C/F	**(37)**	—
UK pension deficit payments	5	**180**	214
Movements in variation margin and collateral	5	**(585)**	1,173
Group total free cash flow	5	**2,207**	2,487

Adjusted earnings attributable to shareholders excluding Spirit Energy disposed assets

Year ended 31 December	Notes	2023 £m	2022 £m	Change
Adjusted earnings attributable to shareholders	I/S	**1,859**	2,050	
Less: disposed assets adjusted earnings attributable to shareholders (including associated hedges)		**—**	(45)	
Adjusted earnings attributable to shareholders excluding Spirit Energy disposed assets		**1,859**	2,005	(7)%

Adjusted basic earnings per share excluding Spirit Energy disposed assets

Year ended 31 December	Notes	2023	2022	Change
Adjusted earnings attributable to shareholders excluding Spirit Energy disposed assets (£m)		**1,859**	2,005	
Weighted average of ordinary shares in issue during the period (million shares)	10	**5,569**	5,869	
Adjusted basic earnings per share excluding Spirit Energy disposed assets		**33.4p**	34.2p	(2)%

Definitions and reconciliation of adjusted performance measures

Gain on disposals

Year ended 31 December	Notes	2023 £m	2022 £m
Loss on disposals	C/F	—	343
Less: Exceptional loss on disposals	6	—	(362)
Gain on disposals relating to business performance		—	(19)

Group net investment

With an increased focus on cash generation, capital discipline and managing adjusted net cash/debt, Group net investment provides a measure of the Group's capital expenditure from a cash perspective and allows the Group's capital discipline to be assessed.

Year ended 31 December	Notes	2023 £m	2022 £m	Change
Capital expenditure (including small acquisitions) (i)		415	377	
Net disposals (ii)		(55)	(103)	
Group net investment		360	274	31%
Dividends received from joint ventures and associates	C/F	(220)	(60)	
Interest received	C/F	(267)	(46)	
Net purchase of securities	C/F	12	398	
Net cash flow from investing activities	C/F	(115)	566	(120)%

(i) Capital expenditure is the net cash flow on capital expenditure, purchases of businesses and other investments, and investments in joint ventures and associates (less than £100 million). See table (a).

(ii) Net disposals is the net cash flow from sales of businesses, and property, plant and equipment and intangible assets. See table (b).

Group net investment is capital expenditure including acquisitions less net disposals. It excludes cash flows from investing activities not associated with capital expenditure as detailed in the table above.

(a) Capital expenditure (including small acquisitions)

Year ended 31 December	Notes	2023 £m	2022 £m	Change
Purchase of property, plant and equipment and intangible assets	C/F	335	371	
Purchase of businesses, net of cash acquired	C/F	34	(12)	
Investment in joint ventures and associates	C/F	9	18	
Net purchase of other investments	C/F	37	—	
Less: material acquisitions (>£100 million)		—	—	
Capital expenditure (including small acquisitions)		415	377	10%

(b) Net disposals

Year ended 31 December	Notes	2023 £m	2022 £m	Change
Sale of businesses, including receipt of deferred consideration	C/F	(55)	(92)	
Sale of property, plant and equipment and intangible assets	C/F	—	(11)	
Net disposals		(55)	(103)	(47)%

Definitions and reconciliation of adjusted performance measures

The following tables provide additional information to help readers when reconciling between different parts of the consolidated Group Financial Statements, and the Group Cash Flow Statement.

Reconciliation from free cash flow to change in adjusted net cash

Year ended 31 December	Notes	2023 £m	2022 £m
Group total free cash flow	5	**2,207**	2,487
Financing interest paid	C/F	**(286)**	(172)
Interest received	C/F	**267**	46
UK pension deficit payments	5	**(180)**	(214)
Proceeds from exercise of share options	C/F	**6**	—
Payments for own shares	C/F	**—**	(5)
Share buyback programme	C/F	**(613)**	(43)
Distributions to non-controlling interests	C/F	**(17)**	(273)
Equity dividends paid	C/F	**(186)**	(59)
Movements in variation margin and collateral	5	**585**	(1,173)
Cash flows affecting adjusted net cash		**1,783**	594
Non-cash movements in adjusted net cash		**(238)**	(75)
Change in adjusted net cash		**1,545**	519
Opening adjusted net cash	11	**1,199**	680
Closing adjusted net cash	11	**2,744**	1,199

Reconciliation of adjusted net cash to unadjusted net cash

Adjusted net cash is a business performance measure used by management to assess the underlying indebtedness of the business.

Year ended 31 December	Notes	2023 £m	2022 £m
Adjusted net cash	11	**2,744**	1,199
Less current and non-current securities	11	**(521)**	(525)
Less sub-lease assets	11	**(2)**	(2)
Unadjusted net cash		**2,221**	672

Payments relating to exceptional charges in operating costs

Year ended 31 December	Notes	2023 £m	2022 £m
Utilisation of prior year restructuring liabilities		**6**	24
Payments relating to exceptional charges in continuing operating costs	C/F	**6**	24

Definitions and reconciliation of adjusted performance measures

Depreciation, amortisation, write-downs, impairments and write-backs

Year ended 31 December	Notes	2023 £m	2022 £m
Movement from depreciation, amortisation, write-downs, impairments and write-backs, from exceptional items included in the Group Cash Flow Statement	6	**645**	(207)
Made up of:			
Impairment/(write-back) of power assets	6	**563**	(207)
Impairment of gas storage asset	6	**82**	–
Movement from depreciation, amortisation, write-downs, impairments and write-backs, from business performance included in the Group Cash Flow Statement		**542**	777
Made up of:			
Business Performance PP&E depreciation	5	**395**	510
Business Performance PP&E impairments	5	**9**	88
Business Performance intangibles amortisation	5	**123**	159
Business Performance intangibles impairments and write-downs	5	**15**	20
Movement from depreciation, amortisation, write-downs, impairments and write-backs included in the Group Cash Flow Statement		**1,187**	570

Reconciliation of receivables and payables to Group Cash Flow Statement

Year ended 31 December	Notes	2023 £m	2022 £m
Receivables opening balance	B/S	**8,579**	6,114
Less: receivables closing balance	B/S	**(5,619)**	(8,579)
Payables (incl. insurance contract liabilities) opening balance	B/S	**(10,341)**	(7,633)
Less: payables (incl. insurance contract liabilities) closing balance	B/S	**7,372**	10,341
Net reduction in receivables and payables		**(9)**	243
Non-cash changes, and other reconciling items:			
Movement in share buyback liability		**113**	(207)
Business disposals		**(55)**	(22)
Movement in capital creditors		**8**	6
Movement in ROCS and emission certificate intangible assets		**(13)**	(67)
Other movements (including foreign exchange movements)		**14**	(16)
Non-cash changes, and other reconciling items		**67**	(306)
Movement in trade and other receivables, trade and other payables and contract related assets relating to business performance	C/F	**58**	(63)

Pensions

Year ended 31 December	Notes	2023 £m	2022 £m
Cash contributions to defined benefit schemes in excess of service cost income statement charge	C/F	**(215)**	(184)
Ordinary employer contributions	14	**(56)**	(50)
UK pension deficit payments	14	**(180)**	(214)
Contributions by employer in respect of employee salary sacrifice arrangements	14	**(24)**	(21)
Total current service cost	14	**46**	105
Termination benefit	14	**(1)**	(4)

Disclosures

Disclaimer

This announcement does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica shares or other securities. This announcement contains certain forward-looking statements, forecasts and projections that reflect the current intentions, beliefs or expectations of Centrica's Management with respect to, the Group's financial condition, goals and commitments, prospects, growth, strategies, results, operations and businesses of Centrica.

These statements only take into account information that was available up to and including the date that this announcement was prepared and can be identified by the use of terms such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'forecasts', 'may', 'could', 'should', 'will', 'continue' and other similar expressions of future performance and results including any of their negatives words.

Although we make such statements based on assumptions that we believe to be reasonable, by their nature, readers are cautioned that these forward-looking statements are not guarantees or predictions of the Group's future performance and undue reliance should not be placed on them when making investment decisions. Any reliance placed on this announcement or past performance is not indicative of future results and is done entirely at the risk of the person placing such reliance.

There can be no assurance that the Group's actual future results, financial condition, performance, operations and businesses will not differ materially from those express or implied in the forward-looking statements due to a variety of factors that are beyond the control of the Group and therefore cannot be precisely predicted. Such factors include, but not limited to, those set out in this announcement and in the 'Our Principal Risks and Uncertainties' section of the Strategic Report in our most recently published Annual Report and Accounts. Other factors could also have an adverse effect on our business performance and results.

At any time subsequent to the publication of this announcement, neither Centrica nor any other person assumes responsibility for the accuracy and completeness or undertakes any obligation, to update or revise any of these forward-looking statements to reflect any new information or any changes in events, conditions or circumstances on which any such forward-looking statement is based save in respect of any requirement under applicable law or regulation.

Further when considering the information contained in, or referred to in this announcement, please note that profit and inventory from Rough operations are reported under Centrica Energy Storage Limited, also referred to as Centrica Energy Storage+, for presentational purposes only. Centrica Energy Storage Limited does not produce, supply or trade gas, except to the extent necessary for the efficient operation of the storage facility. In accordance with the Gas Act 1986, such production, supply and trading of gas is carried out wholly independently of Centrica Energy Storage Limited by other Centrica group companies.

Certain figures shown in this announcement were rounded in accordance with standard business rounding principles and therefore there may be discrepancies.

For further information

Centrica will hold its 2023 Preliminary Results presentation for analysts and institutional investors at 9.30am (UK) on Thursday 15 February 2024. There will be a live webcast of the presentation and slides. Please register to view the webcast at:

https://webcasts.centrica.com/centrica132

You may also listen via conference call. To register for this call and to receive a unique caller reference number, please visit:

https://webcasts.centrica.com/centrica132/vip_connect

An archived webcast and full transcript of the presentation and question and answer session will be available on the Centrica website by Monday 19 February 2024.

Enquiries

Investors and analysts:	Investor Relations	
	Telephone:	+44(0)1753 494900
	Email:	ir@centrica.com
Media:	Media Relations	
	Telephone:	+44 (0)1784 843000
	Email:	media@centrica.com

Financial calendar

Ex-dividend date for 2023 final dividend	Thursday 30 May 2024
Record date for 2023 final dividend	Friday 31 May 2024
Annual General Meeting (AGM)	Wednesday 5 June 2024
Payment of 2023 final dividend	Thursday 11 July 2024

For more information on Centrica's financial calendar please visit: https://www.centrica.com/investors/financial-calendar/

Registered office

Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.