

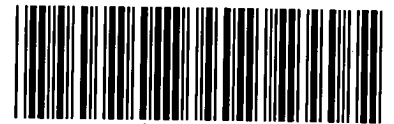
Registration number: 02877397

Centrica Energy (Trading) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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Centrica Energy (Trading) Limited

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Centrica Energy (Trading) Limited

Strategic Report for the Year Ended 31 December 2017

The Directors present their Strategic Report of Centrica Energy (Trading) Limited ('the Company') for the year ended 31 December 2017.

Principal activity

The Company is registered with the Financial Conduct Authority to provide agency and arranging services primarily to its parent company Centrica Energy Limited ('CEL') for transactions in physical energy products and energy related derivatives. The Company is to carry on providing these agency and arranging services for the foreseeable future.

Review of the business

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

The financial position of the Company is set out on page 11. The net assets for the financial year ended 31 December 2017 are £13.97m (2016: 12.23m). The financial performance of the Company is set out in the Directors' Report on page 3.

Principal risks and uncertainties

The principal risk and uncertainty affecting the business and the execution of the Company strategy is continuing to operate efficiently and effectively within the regulatory requirements placed upon the business.

The Company's operations expose it to a number of financial risks. Given the size and nature of the Company these risks are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal financial risk facing the Company is credit risk, which arises on intercompany balances and its bank deposits. Bank deposits are only held with financial institutions which have been approved by Centrica plc.

The principal risk and uncertainties of the Group, which include those of the Company, are disclosed on page 52 to 62 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

Exit from the European Union

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. Many details of the implementation process continue to remain unclear. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

Key performance indicators (KPIs)

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 30 and 31 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

The Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business.

Centrica Energy (Trading) Limited

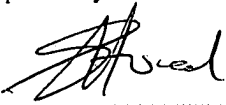
Strategic Report for the Year Ended 31 December 2017 (continued)

Future developments

The Directors expect the Company to continue to carry on providing these agency and arranging services for the foreseeable future.

The Centrica group is currently implementing the results of the 2015 strategic review. This implementation includes a review of how the Group's businesses are structured and may result in future changes to underlying subsidiary business operations including those of the Company.

Approved by the Board on 24 April 2018 and signed on its behalf by:

 Samantha Hood

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

Company registered in England and Wales, No. 02877397

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Energy (Trading) Limited

Directors' Report for the Year Ended 31 December 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Directors of the Company

The Directors of the Company who were in office during the year and up to the date of signing the Financial Statements were as follows:

Mr V M Hanafin

Mr A D Le Poidevin (resigned 8 December 2017)

Mr C J Stern (resigned 13 March 2017)

Mr J D Westby

Mr S C Dee (resigned 26 September 2017)

Mr C Mangerah

Mr M D Kirwan (appointed 13 March 2017)

The following director was appointed after the year end:

Mr P J Worby (appointed 18 April 2018)

Results and dividends

The results of the Company are set out on page 9. The profit for the financial year ended 31 December 2017 is £1.74m (2016: £2.35m). No dividends were paid during the year (2016: £Nil). The Directors do not recommend the payment of a dividend (2016: £Nil).

Directors' and officers' liability

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

Future developments

Future developments are discussed in the Strategic Report on page 1.

Going concern

The Financial Statements have been prepared on a going concern basis. The Company is profitable and in a net assets position due to its earnings generated under the terms of its service level agreement. The Company is expected to continue carrying out these services for the foreseeable future.

Centrica Energy (Trading) Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to the auditors

Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Following a rigorous selection by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing 1 January 2017. Consequently, PricewaterhouseCoopers LLP ('PwC') ceased to hold office as auditor of the Company in 2017. Pursuant to Section 519 of the Companies Act 2006, PwC has confirmed that there are no circumstances in connection with their ceasing to hold office that need to be brought to the attention of the members or creditors of the Company.

Following the resignation of PwC as auditors of the Company and, pursuant to Section 487 of the Companies Act 2006, Deloitte LLP were appointed as auditors of the Company.

Centrica Energy (Trading) Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

Statement of Directors' Responsibilities (continued)

Approved by the Board on 24 April 2018 and signed on its behalf by:

 Samantha Hood

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

Company registered in England and Wales, No. 02877397

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Energy (Trading) Limited

Independent Auditors' Report to the Members of Centrica Energy (Trading) Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Centrica Energy (Trading) Limited which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

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

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

We have nothing to report in respect of these matters.

Centrica Energy (Trading) Limited

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Centrica Energy (Trading) Limited

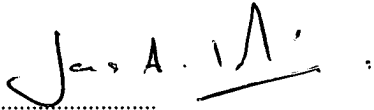
**Independent Auditors' Report to the Members of Centrica Energy (Trading) Limited
(continued)**

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.



.....
James Leigh FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
EC4A 3BZ

24 April 2018

Centrica Energy (Trading) Limited

Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Revenue	3	23,605	32,288
Cost of sales	4	<u>(21,459)</u>	<u>(29,353)</u>
Gross profit		<u>2,146</u>	<u>2,935</u>
Operating profit		2,146	2,935
Finance income	6	<u>6</u>	<u>3</u>
Profit before income tax		2,152	2,938
Income tax expense	9	<u>(414)</u>	<u>(590)</u>
Profit for the year from continuing operations		<u>1,738</u>	<u>2,348</u>

The notes on pages 13 to 22 form an integral part of these financial statements.

Centrica Energy (Trading) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Profit for the financial year		<u>1,738</u>	<u>2,348</u>
Total comprehensive income for the year		<u><u>1,738</u></u>	<u><u>2,348</u></u>

Centrica Energy (Trading) Limited

Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Current assets			
Cash and cash equivalents		<u>15,453</u>	<u>12,558</u>
Total assets		<u>15,453</u>	<u>12,558</u>
Current liabilities			
Trade and other payables	10	<u>(1,485)</u>	<u>(328)</u>
Total liabilities		<u>(1,485)</u>	<u>(328)</u>
Net assets		<u>13,968</u>	<u>12,230</u>
Equity			
Called up share capital	11	850	850
Retained earnings		<u>13,118</u>	<u>11,380</u>
Total equity		<u>13,968</u>	<u>12,230</u>

The financial statements on pages 9 to 22 were approved and authorised for issue by the Board of Directors on 24 April 2018 and signed on its behalf by:


.....
Mr P J Worby
Director

Company number 02877397

Centrica Energy (Trading) Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	850	11,380	12,230
Profit for the financial year	-	1,738	1,738
Total comprehensive income	850	13,118	13,968
At 31 December 2017	850	13,118	13,968

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	850	9,032	9,882
Profit for the financial year	-	2,348	2,348
Total comprehensive income	850	11,380	12,230
At 31 December 2016	850	11,380	12,230

The notes on pages 13 to 22 form an integral part of these financial statements.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

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

The registered office and principal place of business is:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

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

2 Accounting policies

Basis of preparation

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

From 1 January 2017, the following amendments are effective in the Company's financial statements. Their first time adoption did not have a material impact on the financial statements:

- Amendments to IAS 12: 'Income taxes' related to the recognition of deferred tax assets for unrealised losses.

Summary of disclosure exemptions

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

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

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

These financial statements are presented in pound sterling (with all values rounded to the nearest thousand except where otherwise indicated), which is also the functional currency of the Company. The financial statements are prepared on the historical cost basis.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2017 have had a material effect on the financial statements.

Summary of significant accounting policies and key accounting estimates

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

Revenue recognition

Revenue, which excludes value added tax, represents the value of amounts charged to Centrica Energy Limited for services provided, which represents a mark up of 10% on costs incurred. All of the revenue arises in the United Kingdom.

Cost of sales

Cost of sales relate to costs borne by Centrica Energy Limited in relation to regulated activities. These costs are then recharged to the Company. Costs recharged to the Company contain employee costs for individuals who are employed by Centrica Energy Limited. Details of recharged employee costs are included in note 5. The Company has no employees (2016: Nil)

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Taxation

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

Financial assets and liabilities

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

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although in practice the discounting is often immaterial) less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company may not be able to collect the trade receivable. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less receivables are classified as current assets. If not they are presented as non-current assets.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

Share capital

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

Cash and cash equivalents

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

3 Revenue

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

	2017 £ 000	2016 £ 000
Rendering of services	23,605	32,288
Revenue	23,605	32,288

All revenue arose from activities in the United Kingdom.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

4 Analysis of costs by nature

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

	2017 £ 000	2016 £ 000
Costs attributable to rendering of services	<u>(21,459)</u>	<u>(29,353)</u>
Cost of Sales	<u>(21,459)</u>	<u>(29,353)</u>

5 Employees' costs

In respect of the Directors' remuneration, refer to note 7 'Director's Remuneration'.

The average number of persons employed by the Company (including Directors) during the year, was nil (2016: nil). Costs attributed to employees seconded to the Company under the terms of the service level agreement with Centrica Energy Limited for 2017 are £6,928,000 (2016: £14,866,000) and are included within a management charge. The remuneration of those employees is included within the financial statements of Centrica Energy Limited.

6 Finance income

	2017 £ 000	2016 £ 000
Interest income on bank and other short-term deposits	<u>6</u>	<u>3</u>
Finance income	<u>6</u>	<u>3</u>

7 Directors' remuneration

The aggregate emoluments paid to Directors in respect of their qualifying services were £1,070,000 (2016: £1,252,000). The Directors are seconded to the Company under the service level agreement with Centrica Energy Limited. The emoluments of those Directors are included within the financial statements of its parent company Centrica Energy Limited.

The aggregate value of Company contributions paid to a pension scheme in respect of Directors qualifying services were £58,000 (2016: £65,000). There were 3 directors (2016: 3) to whom retirements benefits are accruing under defined benefit pension schemes. There were 5 Directors (2016: 3) to whom retirement benefits are accruing under money purchase pension schemes.

There were 5 Directors (2016: 6) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme. There was 1 Director (2016: 1) who exercised share options relating to the ultimate parent company.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

7 Directors' remuneration (continued)

In respect of the highest paid Director:

	2017 £ 000	2016 £ 000
Remuneration	331	587
Company contributions to money purchase pension schemes	12	16

In the current year the highest paid Director received shares in respect of qualifying services under a long-term incentive scheme.

8 Auditors' remuneration

Auditors' remuneration of £10,000 relates to fees for the audit of the financial statements of the Company. The prior year audit fee of £27,000 includes both the fee for the statutory audit of the financial statements and an allocation of the audit fee for the Group's consolidated financial statements. The auditors' remuneration of £10,000 (2016: £27,000) is borne by the immediate parent, Centrica Energy Limited, and is not recharged.

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

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

9 Income tax

Tax charged in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax at 19.25% (2016: 20.0%)	<u>414</u>	<u>590</u>

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

	2017 £ 000	2016 £ 000
Profit before tax at 19.25% (2016: 20.0%)	<u>2,152</u>	<u>2,938</u>
Tax expense at standard UK rate	414	588
Effects of:		
Increase (decrease) in current tax from adjustment for prior periods	-	2
Increase (decrease) arising from group relief tax reconciliation	1	5
Increase (decrease) from transfer pricing adjustments	<u>(1)</u>	<u>(5)</u>
Total income tax expense	<u>414</u>	<u>590</u>

No deferred tax arises on the Company's activities during the year (2016: Nil).

The main rate of corporation tax for the year to 31 December 2017 was 19.25% (2016: 20%). The corporation tax rate will reduce to 17% with effect from 1 April 2020 following the enactment of Finance Act 2016. The deferred tax assets and liabilities included in these financial statements were based on the reduced rate of 17% having regard to their reversal profiles.

10 Trade and other payables

	2017 Current £ 000	2016 Current £ 000
Amounts owed to group undertakings	<u>1,485</u>	<u>328</u>

Amounts owed to group undertakings are interest-free. All amounts owed to group undertakings are unsecured and repayable on demand.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Capital and reserves

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Allotted and fully paid share capital of £1 each	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>

Other share instruments issued

All Ordinary shares issued are classified as 'equity instruments' in accordance with IAS 32 'Financial instruments: presentation'.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Reserves

Retained earnings

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

12 Dividends paid and proposed

Proposed for approval by shareholders at the AGM

No dividends were paid during the year (2016: £Nil). The Directors do not recommend the payment of a dividend (2016: £Nil).

13 Fair value of financial instruments

Fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group has documented internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

The fair value of the Company's financial instruments, together with the carrying amounts included in the balance sheet are analysed below. For all balances, the fair value is approximately equal to the carrying value.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Fair value of financial instruments (continued)

	2017	2016
	Carrying value/ Fair value	Carrying value/ Fair value
	£ 000	£ 000
Loans and receivables:		
Cash and cash equivalents	15,453	12,558
Total financial assets	15,453	12,558
Financial liabilities measured at amortised cost:		
Amounts owed to group undertakings	(1,485)	(328)
Total financial liabilities	(1,485)	(328)

Financial assets and liabilities subject to offsetting, master netting arrangements and similar arrangements

	Related amounts not offset in the Company Balance Sheet (i)					
	Gross amounts of Gross amounts of recognised instruments financial instruments offset in the Company Balance Sheet	£ 000	Net amounts presented in the Company Balance Sheet	£ 000	Financial instruments	Collateral Net amount
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
31 December 2017						
Cash and cash equivalents	15,453	-	15,453	-	-	15,453
Total financial assets	15,453	-	15,453	-	-	15,453
Amounts owed to group undertakings	(1,485)	-	(1,485)	-	-	(1,485)
Total financial liabilities	(1,485)	-	(1,485)	-	-	(1,485)

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Fair value of financial instruments (continued)

	Gross amounts of recognised financial instruments		Net amounts presented in the Company Balance Sheet	Financial instruments	Collateral	Net amount
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the Company Balance Sheet	Net amounts presented in the Company Balance Sheet			
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
31 December 2016						
Cash and cash equivalents	12,558	-	12,558	-	-	12,558
Total financial assets	12,558	-	12,558	-	-	12,558
Amounts owed to group undertakings	(328)	-	(328)	-	-	(328)
Total financial liabilities	(328)	-	(328)	-	-	(328)

14 Financial risk management and impairment of financial assets

Credit risk and impairment

The Company held cash balances throughout the year, these balances are subject to potential credit risk. This risk is managed by ensuring that cash is held in a reliable bank with an investment grade credit rating. The Company currently uses Barclays Bank plc.

Going concern and liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations as they fall due. To mitigate this risk the Company holds sufficient cash on deposit to meet their short term obligations (less than one year). The Directors also regularly review the assumption that the Company can continue to operate as a going concern.

Capital risk management

Externally imposed capital requirements

Centrica Energy (Trading) Limited is required to provide a quarterly submission on Capital adequacy to the Financial Conduct Authority (FCA). It is required to meet a level of capital that meets or exceeds one quarter of the relevant annual expenditure specified by the FCA. Relevant annual expenditure is calculated as (Revenue - Profit before tax - Bonuses). The Company exceeded the requirement consistently for the four FCA submissions that were made throughout the year by having cash deposits at bank, that were higher than the capital requirement. The Company manages its capital requirement risk via assessing each quarter ahead in order to ensure it has sufficient capital to meet its requirements.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

15 Parent and ultimate parent undertaking

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

The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.