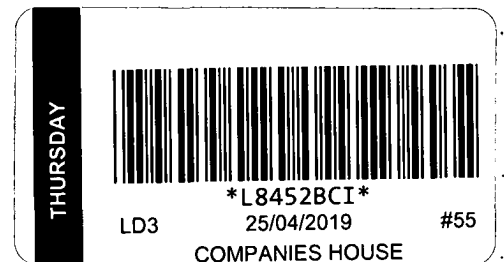


Registration number: 02877397

Centrica Energy (Trading) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Centrica Energy (Trading) Limited

Contents

Strategic Report	1 to 2
Directors' Report	3 to 5
Independent Auditors' Report	6 to 8
Income Statement	9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 21

Centrica Energy (Trading) Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their Strategic Report of Centrica Energy (Trading) Limited ('the Company') for the year ended 31 December 2018.

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 2018 are £17,060,000 (2017: £13,968,000). 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 41 to 51 of the Group's Annual Report and Accounts 2018, 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 results and dividends of the Company are shown in the Directors' Report on page 3. The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 18 and 19 of the Group's Annual Report and Accounts 2018, which does not form part of this report.

Centrica Energy (Trading) Limited

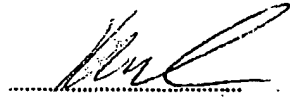
Strategic Report for the Year Ended 31 December 2018 (continued)

Future developments

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

The Centrica plc Group (the 'Group') continues to implement 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 2019 and signed on its behalf by:



KATE HUDSON

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 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

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 (resigned 30 November 2018)

Mr J D Westby

Mr C Mangerah

Mr M D Kirwan (resigned 27 March 2019)

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 2018 is £3,092,000 (2017: £1,738,000). The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2018. No dividends were paid during the year (2017: £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 2.

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 2018 (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. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

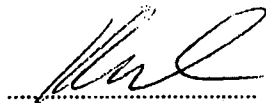
In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Centrica Energy (Trading) Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Statement of Directors' Responsibilities (continued)

Approved by the Board on 24 April 2019 and signed on its behalf by:



KATE HUDSON

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 2018 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 16.

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.

Responsibilities of Directors

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

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

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.

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

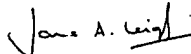
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.


.....

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

24 April 2019

Centrica Energy (Trading) Limited

Income Statement for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Revenue	3	41,710	23,605
Cost of sales	4	<u>(37,918)</u>	<u>(21,459)</u>
Gross profit		<u>3,792</u>	<u>2,146</u>
Operating profit		3,792	2,146
Finance income	6	<u>25</u>	<u>6</u>
Profit before income tax		3,817	2,152
Income tax expense	8	<u>(725)</u>	<u>(414)</u>
Profit for the year from continuing operations		<u><u>3,092</u></u>	<u><u>1,738</u></u>

The notes on pages 13 to 21 form an integral part of these financial statements.

Centrica Energy (Trading) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

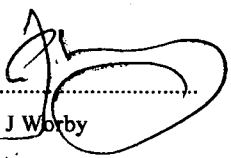
	Note	2018 £ 000	2017 £ 000
Profit for the financial year		<u>3,092</u>	<u>1,738</u>
Total comprehensive income for the year		<u><u>3,092</u></u>	<u><u>1,738</u></u>

Centrica Energy (Trading) Limited

Statement of Financial Position as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Current assets			
Trade and other receivables	9	1,444	-
Cash and cash equivalents		<u>16,341</u>	<u>15,453</u>
Total assets		<u>17,785</u>	<u>15,453</u>
Current liabilities			
Trade and other payables	10	<u>(725)</u>	<u>(1,485)</u>
Total liabilities		<u>(725)</u>	<u>(1,485)</u>
Net assets		<u>17,060</u>	<u>13,968</u>
Equity			
Called up share capital	11	850	850
Retained earnings		<u>16,210</u>	<u>13,118</u>
Total equity		<u>17,060</u>	<u>13,968</u>

The financial statements on pages 9 to 21 were approved and authorised for issue by the Board of Directors on 24 April 2019 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 2018

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	850	13,118	13,968
Profit for the financial year	-	3,092	3,092
Total comprehensive income	850	16,210	17,060
At 31 December 2018	850	16,210	17,060

	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

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

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.

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

From 1 January 2018, the following standards and amendments are effective in the Company's Financial Statements. Their first time adoption did not have a material impact on the financial statements:

- IFRS 9: 'Financial Instruments'
- IFRS 15: 'Revenue from contracts with customers'

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

The impact of adoption of these standards and the key changes to the accounting policies are disclosed below.

IFRS 15: 'Revenue from contracts with customers'

The Company adopted IFRS 15: 'Revenue from contracts with customers' from 1 January 2018. The primary impact of application is the revision of accounting policies to reflect the five-step approach to revenue recognition required by IFRS 15, resulting in no adjustments to amounts previously recognised in the financial statements.

IFRS 9: 'Financial Instruments'

The Company adopted IFRS 9: 'Financial Instruments' from 1 January 2018. In accordance with the transition provisions in the Standard, comparatives have not been restated.

Classification of financial assets

IFRS 9 requires the use of two criteria to determine the classification of financial assets: the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard goes on to identify three categories of financial assets - amortised cost; fair value through profit or loss (FVTPL); and fair value through other comprehensive income (FVOCI). The Company's financial assets represent intercompany receivables and cash and cash equivalents, measured at cost. No changes to the classification of financial assets were made following the adoption of IFRS 9.

Impairment

IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model applies to the Company's financial assets and loan commitments. No changes to the impairment provisions were made on transition to IFRS 9.

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 includes 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 (2017: 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

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Financial assets and liabilities

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

Trade and other receivables

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

Trade receivables are initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for impairment losses. Changes in the Company's impairment policy as a result of the application of IFRS 9 are shown at note 2. 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:

	2018 £ 000	2017 £ 000
Rendering of services	41,710	23,605
Revenue	41,710	23,605

All revenue arose from activities in the United Kingdom.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (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:

	2018 £ 000	2017 £ 000
Costs attributable to rendering of services	<u>(37,918)</u>	<u>(21,459)</u>
Cost of Sales	<u>(37,918)</u>	<u>(21,459)</u>

5 Employees' costs

The Directors were remunerated as employees of the Centrica plc Group and did not receive any remuneration, from any source, specifically for their services as Directors of the Company during the current or preceding financial year.

The average number of persons employed by the Company (including Directors) during the year, was nil (2017: nil). Costs attributed to employees seconded to the Company under the terms of the service level agreement with Centrica Energy Limited for 2018 are £21,886,000 (2017: £6,928,000) 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

	2018 £ 000	2017 £ 000
Interest income on bank and other short-term deposits	<u>25</u>	<u>6</u>
Finance income	<u>25</u>	<u>6</u>

7 Auditors' remuneration

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

	2018 £ 000	2017 £ 000
Audit fees	<u>10</u>	<u>10</u>

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

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Income tax

Tax charged in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax at 19.0% (2017: 19.25%)	<u>725</u>	<u>414</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:

	2018 £ 000	2017 £ 000
Profit before tax at 19.0% (2017: 19.25%)	<u>3,817</u>	<u>2,152</u>
Tax expense at standard UK rate	725	414
<i>Effects of:</i>		
Increase (decrease) arising from group relief tax reconciliation	(1)	1
Increase (decrease) from transfer pricing adjustments	<u>1</u>	<u>(1)</u>
Total income tax expense	<u>725</u>	<u>414</u>

No deferred tax arises on the Company's activities during the year (2017: Nil).

The main rate of corporation tax for the year to 31 December 2018 was 19% (2017: 19.25%). The corporation tax rate will reduce to 17% with effect from 1 April 2020. The deferred tax assets and liabilities included in these financial statements are based on tax rates having regard to their reversal profiles.

9 Trade and other receivables

	2018 Current £ 000	2017 Current £ 000
Amounts owed by group undertakings	<u>1,444</u>	<u>-</u>

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

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

10 Trade and other payables

	2018 Current £ 000	2017 Current £ 000
Amounts owed to group undertakings	<u>725</u>	<u>1,485</u>

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

11 Capital and reserves

Allotted, called up and fully paid shares

	2018		2017	
	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

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2018. No dividends were paid during the year (2017: £Nil).

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

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.

	2018	2017
	Carrying value/ Fair value	Carrying value/ Fair value
	£ 000	£ 000
Loans and receivables:		
Amounts owed by group undertakings	1,444	-
Cash and cash equivalents	16,341	15,453
Total financial assets	17,785	15,453
Financial liabilities measured at amortised cost:		
Amounts owed to group undertakings	(725)	(1,485)
Total financial liabilities	(725)	(1,485)

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

	Gross amounts of recognised financial instruments	Net amounts presented in the Company Balance Sheet
	£ 000	£ 000
31 December 2018		
Amounts owed by group undertakings	1,444	1,444
Cash and cash equivalents	16,341	16,341
Total financial assets	17,785	17,785
Amounts owed to group undertakings	(725)	(725)
Total financial liabilities	(725)	(725)

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Fair value of financial instruments (continued)

	Gross amounts of recognised financial instruments	Net amounts presented in the Company Balance Sheet
31 December 2017	£ 000	£ 000
Cash and cash equivalents	15,453	15,453
Total financial assets	15,453	15,453
Amounts owed to group undertakings	(1,485)	(1,485)
Total financial liabilities	(1,485)	(1,485)

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.

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.

Centrica Energy (Trading) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

16 Post balance sheet events

There have been no significant events affecting the Company since the year end.