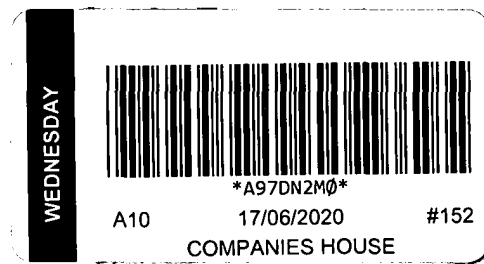


Registration number: 02877397

Centrica Energy (Trading) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



Centrica Energy (Trading) Limited

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Centrica Energy (Trading) Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report for Centrica Energy (Trading) Limited (the 'Company') for the year ended 31 December 2019.

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.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in a way that he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to various other stakeholder interests below are the six key factors:

- the likely consequences of any decision in the long term;
- the interests of the company's employees, when relevant;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In discharging our Section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our relationship with regulators. The Directors remain conscious of the impact their decisions can have on our other stakeholders. Sometimes the Directors have to take decisions that adversely affect one or more of our stakeholder groups. In these cases, we endeavour to treat those impacted fairly.

We delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the directors consider the Company's activities and make decisions. We review financial and operational performance, key risks, stakeholder-related matters, governance, legal and regulatory compliance, and business strategy, for example, considering the Group's 2019 Strategic Review and any impact on the business operations of the Company, at Board meetings. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

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 10. The net assets for the financial year ended 31 December 2019 are £20,598,000 (2018: £17,060,000). The financial performance of the Company is set out in the Directors' Report on page 4.

Stakeholder Engagement

Proactive engagement remains a central focus for the Group, which ensures the directors have regard to the matters set out in S.172(1) (a) to (f) of the Companies Act. Further information on stakeholder engagement can be found on pages 16-17 of the Group's Annual Report and Accounts 2019. Engaging with stakeholders delivers better outcomes for society, and for our business. It's fundamental to our long-term success.

Centrica Energy (Trading) Limited

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

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

Exit from the European Union

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

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

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

The events described above arose after the Company's balance sheet date, and therefore there is no impact on the results or financial position of the Company as at 31 December 2019. The Company is supported by the Group, which has stated that it intends to support the Company for a period of at least 12 months from the date the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that there are a range of future potential financial impacts upon the Group as a result of the pandemic but, following assurances from the ultimate parent company underpinned by its detailed assessment, have satisfied themselves that the Group will be able to support the Company if required under all reasonably foreseeable circumstances. For more information refer to the Going Concern section of the Directors' Report on page 4.

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 18-19 of the Group's Annual Report and Accounts 2019, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 4.

Centrica Energy (Trading) Limited

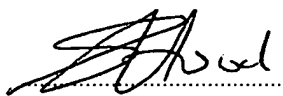
Strategic Report for the Year Ended 31 December 2019 (continued)

Future developments

The Group presented an update to the 2015 strategy in the July 2019 interim announcement. The trends identified in 2015 continue to play out and may result in future changes to underlying subsidiary business operations including those of the Company.

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

Approved by the Board on 10 June 2020 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
United Kingdom

Centrica Energy (Trading) Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors of the Company

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

Mr J D Westby

Mr C Mangerah

Mr M D Kirwan (resigned 27 March 2019)

Mr P J Worby (resigned 7 June 2019)

Results and dividends

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2019 is £3,538,000 (2018: profit £3,092,000).

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

Future developments

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

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (stable) credit rating on 13 March and S&P confirmed a BBB (stable) credit rating on 31 March.

Centrica Energy (Trading) Limited

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

Non adjusting events after the financial period

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

Directors' and officers' liability

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

Statement of Directors' Responsibilities

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

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

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

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

Disclosure of information to auditors

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

Centrica Energy (Trading) Limited

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

Auditors

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

Approved by the Board on ~~10 June 2020~~ 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
United Kingdom

Centrica Energy (Trading) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centrica Energy (Trading) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Centrica Energy (Trading) Limited

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Centrica Energy (Trading) Limited

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

Matters on which we are required to report by exception

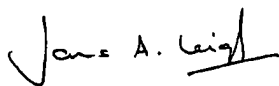
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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
United Kingdom

Date: 11.06.2020

Centrica Energy (Trading) Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	47,670	41,710
Cost of sales	5	<u>(43,336)</u>	<u>(37,918)</u>
Gross profit		<u>4,334</u>	<u>3,792</u>
Operating profit		4,334	3,792
Finance income	7	<u>34</u>	<u>25</u>
Profit before taxation		4,368	3,817
Taxation on profit	9	<u>(830)</u>	<u>(725)</u>
Profit for the year from continuing operations		<u><u>3,538</u></u>	<u><u>3,092</u></u>

The above results were derived from continuing operations.

Centrica Energy (Trading) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit for the year	<u>3,538</u>	<u>3,092</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>3,538</u>	<u>3,092</u>

The notes on pages 14 to 21 form an integral part of these financial statements.

Centrica Energy (Trading) Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Current assets			
Trade and other receivables	10	-	1,444
Cash and cash equivalents		<u>21,635</u>	<u>16,341</u>
Total assets		<u><u>21,635</u></u>	<u><u>17,785</u></u>
Current liabilities			
Trade and other payables	11	<u>(1,037)</u>	<u>(725)</u>
Total liabilities		<u><u>(1,037)</u></u>	<u><u>(725)</u></u>
Net assets		<u><u>20,598</u></u>	<u><u>17,060</u></u>
Equity			
Share capital	12	850	850
Retained earnings		<u>19,748</u>	<u>16,210</u>
Total equity		<u><u>20,598</u></u>	<u><u>17,060</u></u>

The financial statement on pages 10 to 21 were approved and authorised for issue by the Board of Directors on 10/01/2020 and signed on its behalf by:



.....
Mr C Mangerah
Director

Company number 02877397

Centrica Energy (Trading) Limited

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

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	850	16,210	17,060
Profit for the year	-	3,538	3,538
Total comprehensive income	-	3,538	3,538
At 31 December 2019	850	19,748	20,598

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

The notes on pages 14 to 21 form an integral part of these financial statements.

Centrica Energy (Trading) Limited

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

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 address of its registered office and principal place of business is:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

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

2 Accounting policies

Basis of preparation

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

Changes in accounting policy

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

- IFRS 16: 'Leases'

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

Summary of disclosure exemptions

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

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- 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 2019 (continued)

2 Accounting policies (continued)

Measurement convention

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.

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (stable) credit rating on 13 March and S&P confirmed a BBB (stable) credit rating on 31 March.

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 (2018: 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 2019 (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 expected credit losses. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not they are presented as non-current assets.

- Trade and other payables

Trade payables are 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 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience or other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Centrica Energy (Trading) Limited

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

4 Revenue

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

	2019 £ 000	2018 £ 000
Rendering of services	<u>47,670</u>	<u>41,710</u>

All revenue arose from activities in the United Kingdom.

5 Analysis of costs by nature

	2019 Cost of sales £ 000	2018 Cost of sales £ 000
Costs attributable to rendering of services	<u>(43,336)</u>	<u>(37,918)</u>

6 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 (2018: nil). Costs attributed to employees seconded to the Company under the terms of the service level agreement with Centrica Energy Limited for 2019 are £28,802,000 (2018: £21,886,000) and are included within a management charge. The remuneration of those employees is included within the financial statements of Centrica Energy Limited.

7 Net finance income

Finance income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	<u>34</u>	<u>25</u>
Total finance income	<u><u>34</u></u>	<u><u>25</u></u>

8 Auditor's remuneration

Auditor's remuneration totalling £10,000 (2018: £10,000) relates to fees for the audit of the Financial Statements of the Company.

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

Centrica Energy (Trading) Limited

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

9 Income tax

Tax charged in the Income Statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax at 19% (2018: 19%)	<u>(830)</u>	<u>(725)</u>

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

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

	2019 £ 000	2018 £ 000
Profit before tax	<u>4,368</u>	<u>3,817</u>
Tax on loss at standard UK corporation tax rate of 19% (2018: 19%)	(830)	(725)
Increase (decrease) arising from group relief tax reconciliation	4	1
Increase (decrease) from transfer pricing adjustments	<u>(4)</u>	<u>(1)</u>
Total tax charge	<u>(830)</u>	<u>(725)</u>

10 Trade and other receivables

	31 December 2019 Current £ 000	31 December 2018 Current £ 000
Amounts owed by Group undertakings	<u>-</u>	<u>1,444</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 2019 (continued)

11 Trade and other payables

	2019	2018
	Current £ 000	Current £ 000
Amounts owed to Group undertakings	<u>(1,037)</u>	<u>(725)</u>

Amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

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

12 Capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1.00 each	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>

All ordinary shares issued are classified as 'equity instruments' in accordance with IAS 32. 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.

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.

13 Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2019. No dividends were paid during the year (2018:£Nil).

14 Financial risk management

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.

Centrica Energy (Trading) Limited

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

14 Financial risk management (continued)

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 net current assets, 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 Fair value of financial instruments

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 Company adopts Group 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 and the gross amount is shown as the Company has not offset or netted any balances.

	2019	2018
	Carrying value/ Fair value	Carrying value/ Fair value
	£ 000	£ 000
Loans and receivables:		
Amounts owed by group undertakings	-	1,444
Cash and cash equivalents	21,635	16,341
Total financial assets	21,635	17,785
Financial liabilities measured at amortised cost:		
Amounts owed to group undertakings	(1,037)	(725)
Total financial liabilities	(1,037)	(725)

Centrica Energy (Trading) Limited

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

16 Parent and ultimate parent undertaking

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

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

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

17 Non adjusting events after the financial period

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