

Registration number: 02877397

# Centrica Energy (Trading) Limited

Annual Report and Financial Statements  
for the Year Ended 31 December 2020

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## Centrica Energy (Trading) Limited

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## Centrica Energy (Trading) Limited

### Strategic Report for the Year Ended 31 December 2020

The Strategic Report for Centrica Energy (Trading) Limited (the 'Company') for the year ended 31 December 2020.

#### Principal activity

The Company was registered with the Financial Conduct Authority ('FCA') 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 has decided to cease its regulated activities as an Energy Market Participant (EMP) under the FCA. From 15 March 2021 the Company is no longer regulated under FCA as an EMP and as a result is expected to cease its business operations in due course.

#### Section 172(1) Statement

In promoting the success of the Company, the Directors must also consider the interests of stakeholders and the other matters required by section 172(1) (a) to (f) of the Companies Act. This Section 172 Statement describes how the Directors have taken into account wider stakeholders in their decision making and also the principal decisions taken during the year. Whilst the Company is an independent subsidiary of Centrica plc, the Company activity supports the wider strategy of the Centrica Group. Where appropriate, for example in matters of long-term strategy, decision making is aligned with that of the parent company Board, ensuring that the Company's stakeholders have been rigorously considered.

#### General confirmation of Directors' duties

Directors are fully aware of and understand their statutory duties under the Act. The Board has a clear framework for determining the matters within its remit. Day to day authority is delegated to executives and the Directors engage with 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. At Board meetings, the Directors review performance, key risks, governance, and legal and regulatory compliance. 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. When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to section 172(1) (a) to (f) as described below.

#### *(a) The likely consequences of any decision in the long term*

The Directors understand the Company's business and the evolving environment in which it operates, including the challenges of a highly competitive marketplace, regulatory intervention and climate change. The Directors recognise how our operations are viewed by different stakeholders and that some decisions they take may not align all stakeholder interests.

The Directors took decisions during 2020 that they believed would best promote Centrica's long-term success for the benefit of its stakeholders as a whole. For example, at the start of 2020, the Directors of the Company made the decision to cancel the Company's permissions with the FCA which permitted Centrica Energy Limited to trade certain financial instruments outside the regulatory perimeter. The volume of trades that the Company had executed was not material enough to warrant the FCA regulatory lens and these trades could be executed via a broker, so the Directors decided to work with KPMG to deregulate the Company. This was completed on 15 March 2021. The plan is to proceed to liquidation of the Company imminently. Further reference to operations and regulatory relationships is included in the Review of the business section below.

## Centrica Energy (Trading) Limited

### Strategic Report for the Year Ended 31 December 2020 (continued)

#### *(b) The interests of the company's employees*

Although the Directors recognise that employees within the Group are fundamental to the future growth and success of Centrica, the Company has no direct employees and there is no growth or success agenda for the Company and therefore the consideration of the interests of the Company's employees has not applied to the decisions made by the Directors.

#### *(c) The need to foster the company's business relationships with counterparties*

The Directors recognise the benefits of engaging with a broad range of stakeholders and developing and delivering Centrica's strategy depends on building and maintaining constructive relationships across them all. The purpose of the Company as an FCA regulated entity was to facilitate certain regulated trades. The market facing entity is CEL. CEL is the principal counterparty which the Company has a business relationship with. The Company's stakeholders during the period include Centrica Group companies and as such the breadth of stakeholder considerations that would often apply in market facing companies have generally not applied to the decisions made by the Directors.

#### *(d) The impact of the company's operations on the community and the environment*

The Directors appreciate that collaboration with charities and community groups helps to create stronger communities. Further information on Centrica Group's views of engaging with communities can be found on page 24 of the Group's Annual Report and Accounts 2020.

#### *(e) The desirability of the company maintaining a reputation for high standards of business conduct*

The Board adheres to Centrica Group's "Our Code" code of conduct. Furthermore the Company's Compliance Plan ensures that market conduct was adhered to.

#### *(f) The need to act fairly as between members of the company*

After weighing up all relevant factors, the Directors consider which course of action best promotes the long-term success of the Company, taking into consideration the impact on stakeholders. In doing so, the Directors act fairly as between the Company's members. However, the Directors are not required to balance the Company's interests with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

### **Culture**

The Company's culture is set by the Group and embedded in all we do. Further information on our culture can be found on page 25 of the Group's Annual Report and Accounts 2020.

### **Stakeholder Engagement**

Proactive engagement remains a central focus for the Group, which ensures the Directors have regard to the matters set out in Section 172 (1) (a) to (f) of the Companies Act. Further information on stakeholder engagement can be found on pages 22 to 24 of the Group's Annual Report and Accounts 2020. Engaging with stakeholders delivers better outcomes for society, and for the business. It is fundamental to the Company's long-term success.

### **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 12. The net assets for the financial year ended 31 December 2020 are £22,946,000 (2019: £21,827,000). The financial performance of the Company is set out in the Director's Report on page 5.

## **Centrica Energy (Trading) Limited**

### **Strategic Report for the Year Ended 31 December 2020 (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 42 of the Group's Annual Report and Accounts 2020, which does not form part of this report.

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

The UK and the European Union agreed a new trade deal which came into effect on 31 December 2020 at 23:00 GMT. 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. 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. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2 April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. In July 2020 it was decided that management bonus payments would be cancelled. This has resulted in the reversal of the bonus provision during the 2020, leading to the large reduction in revenue and cost of sales in 2020 as set out on the Income Statement on page 10. There are no other significant changes in the business environment or operational changes specific to the Company in carrying out its principal activities.

#### **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 12-13 of the Group's Annual Report and Accounts 2020, which does not form part of this report. The results of the Company are disclosed in the Director's Report on page 5.

#### **Future developments**

On 11 June 2020, Centrica announced plans for a significant restructure designed to create a simpler, leaner group focused on improved service delivery for customers. The restructure is on track with a reduction in Group direct headcount by over 3,000 in 2020 and another 1,000 role reductions expected to take place in 2021. The restructure will benefit the longer term value of the business, future operating profits and maintenance of a strong capital position of the Group. The Company would not expect to be materially impacted by the restructure.

The Company has decided to cease its regulated activities as an EMP under the FCA. From 15 March 2021 the Company is no longer regulated under FCA as an EMP and as a result is expected to cease its business operations in due course.

**Centrica Energy (Trading) Limited**

**Strategic Report for the Year Ended 31 December 2020 (continued)**

Approved by the director on ..... 2 June 2021 ..... 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**

### **Director's Report for the Year Ended 31 December 2020**

The report and the audited financial statements for the year ended 31 December 2020.

#### **Directors of the Company**

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

Mr J D Westby (resigned 1 September 2020)

Mr C Mangerah

#### **Results and dividends**

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2020 is £1,119,000 (2019: profit £4,283,000).

The Company did not pay an interim dividend during the year (2019: £nil) and the Director does not recommend the payment of a final dividend (2019: £nil).

#### **Future developments**

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

#### **Going concern**

The Director has prepared the financial statements on the basis that the Company is not going to continue as a going concern. The Company decided to terminate all operations performed by the Company in March 2021 and is intending to liquidate the Company in due course. Where this decision has an effect on the measurement principles of IFRS, this is indicated in the relevant accounting policy detailed in note 2.

Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its remaining obligations as they fall due. The Director has received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue.

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

The Company has decided to cease its regulated activities as an EMP under the FCA. From 15 March 2021 the Company is no longer regulated under FCA as an EMP and as a result is expected to cease its business operations in due course. It is planned that the Company will be liquidated in due course.

#### **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 Director's Responsibilities**

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

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has 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 Director must not approve the financial statements unless 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 Director is required to:

## Centrica Energy (Trading) Limited

### Director's Report for the Year Ended 31 December 2020 (continued)

- 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 Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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

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

#### Auditors

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

Approved by the director on .....<sup>2 June 2021</sup> 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 2020 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.

##### **Emphasis of matter - Financial statements prepared other than on a going concern basis**

We draw attention to note 2 of the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

##### **Other information**

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

## **Centrica Energy (Trading) Limited**

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

#### **Responsibilities of Directors**

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

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

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

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

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

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the documentation of the policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

## Centrica Energy (Trading) Limited

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

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with the Financial Conduct Authority (FCA).

#### 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 Director's Report.

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

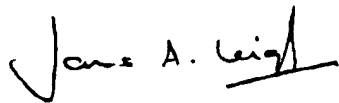
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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: 2 June 2021

## Centrica Energy (Trading) Limited

### Income Statement for the Year Ended 31 December 2020

		(As restated)*	
	Note	2020 £ 000	2019 £ 000
Revenue	4	12,190	57,777
Cost of sales	5	<u>(11,081)</u>	<u>(52,524)</u>
Gross profit		<u>1,109</u>	<u>5,253</u>
Operating profit		1,109	5,253
Finance income	7	<u>10</u>	<u>34</u>
Profit before taxation		1,119	5,287
Taxation on profit	9	<u>-</u>	<u>(1,004)</u>
Profit for the year from continuing operations		<u><u>1,119</u></u>	<u><u>4,283</u></u>

The above results were derived from continuing operations.

\* Prior year balances restated. See note 2.

## Centrica Energy (Trading) Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2020

		(As restated)*
	2020 £ 000	2019 £ 000
Profit for the year	<u>1,119</u>	<u>4,283</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>1,119</u>	<u>4,283</u>

\* Prior year balances restated. See note 2.

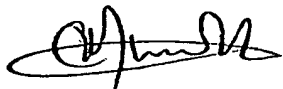
## Centrica Energy (Trading) Limited

### Statement of Financial Position as at 31 December 2020

		(As restated)*	
	Note	2020 £ 000	2019 £ 000
<b>Current assets</b>			
Trade and other receivables	10	-	1,195
Cash and cash equivalents		<u>25,711</u>	<u>21,635</u>
<b>Total assets</b>		<u>25,711</u>	<u>22,830</u>
<b>Current liabilities</b>			
Trade and other payables	11	<u>(2,765)</u>	<u>(1,003)</u>
<b>Total liabilities</b>		<u>(2,765)</u>	<u>(1,003)</u>
<b>Net assets</b>		<u>22,946</u>	<u>21,827</u>
<b>Equity</b>			
Share capital	12	850	850
Retained earnings		<u>22,096</u>	<u>20,977</u>
<b>Total equity</b>		<u>22,946</u>	<u>21,827</u>

\* Prior year balances restated. See note 2.

The financial statements on pages 10 to 22 were approved and authorised for issue by the director on  
2 June 2021.....



.....  
Mr C Mangerah  
Director

Company number 02877397

## Centrica Energy (Trading) Limited

### Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	850	20,977	21,827
Profit for the year	-	1,119	1,119
Total comprehensive income	-	1,119	1,119
At 31 December 2020	850	22,096	22,946

### Prior Year (restated) \*

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	850	16,694	17,544
Profit for the year	-	4,283	4,283
Total comprehensive income	-	4,283	4,283
At 31 December 2019	850	20,977	21,827

\* Prior year balances restated. See note 2.

# Centrica Energy (Trading) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 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 4.

### 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.

The Company financial statements are presented in pounds sterling which is the functional currency of the Company.

#### Changes in accounting policy

From 1 January 2020, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IAS 1: 'Presentation of financial statements' and IAS 8: 'Accounting policies, changes in accounting estimates and errors' and
- Conceptual Framework for Financial Reporting 2018.

None of these changes or amendments had any material impact on the Company's financial statements.

#### 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;
- disclosures in respect of capital management; and



## Centrica Energy (Trading) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

- disclosures in respect of IAS 1 'Presentation of Financial Statements,' paragraph 40A.

#### 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.

#### Restatement of prior year balances

In 2018 and 2019 costs recharged to the Company by CEL were undercharged, which impacted revenue, cost of sales, tax and the amount owed to Group undertakings. This was due to an error identified in 2020 with the allocation of support costs across the Group's trading entities. The 2019 comparatives and opening balances for 2019 have been adjusted to correct for the error identified retrospectively. The following table summarises the impact of the prior period error on the financial statements of the Company:

	2019 £
<b>Income Statement</b>	
Increase in revenue	10,107,000
Increase in cost of Sales	(9,188,000)
<b>Increase in operating profit</b>	<b>919,000</b>
<b>Increase in profit before tax</b>	<b>919,000</b>
Increase in tax	(174,000)
<b>Increase in profit after tax</b>	<b>745,000</b>
<b>Statement of Financial Position</b>	
Increase in amounts owed by Group undertakings	1,195,000
Decrease in amounts owed to Group undertakings	34,000
Increase in opening retained earnings	(484,000)
<b>Increase in Net Assets</b>	<b>745,000</b>

#### Going concern

The financial statements have been prepared on a basis other than a going concern. Please see the Director's report for further details. There are no material adjustments as a result of ceasing to apply the going concern assumption.

#### 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.

## Centrica Energy (Trading) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### 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.

##### Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

##### 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 6. The Company has no employees (2019: 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.

##### - 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.

##### - 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.

## Centrica Energy (Trading) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### - Share capital

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

##### - Cash and cash equivalents

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

#### 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 Director's opinion there are no critical judgements or key sources of estimation uncertainty.

#### 4 Revenue

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

	(As restated)	
	2020*	2019
	£ 000	£ 000
Rendering of services	<u>12,190</u>	<u>57,777</u>

All revenue arose from activities in the United Kingdom.

\* Refer to page 3 of the Strategic Report "Impact of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) outbreak and coronavirus disease (COVID-19) pandemic" for details on the changes in revenue between 2020 and 2019.

## Centrica Energy (Trading) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 5 Analysis of costs by nature

	2020*	2019 (As restated)
	Cost of sales £ 000	Cost of sales £ 000
Costs attributable to rendering of services	<u>(11,081)</u>	<u>(52,524)</u>

\* Refer to page 3 of the Strategic Report "Impact of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) outbreak and coronavirus disease (COVID-19) pandemic" for details on the changes in cost of sales between 2020 and 2019.

#### 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 (2019: nil). Income attributed to employees seconded to the Company under the terms of the service level agreement with Centrica Energy Limited for 2020 are £9,847,000 (2019: £28,802,000 cost) 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

	2020 £ 000	2019 £ 000
Interest income on bank deposits	<u>10</u>	<u>34</u>
<b>Total finance income</b>	<u><u>10</u></u>	<u><u>34</u></u>

#### 8 Auditor's remuneration

Auditor's remuneration totalling £10,300 (2019: £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 2020 (continued)

#### 9 Income tax

Tax charged in the Income Statement

	(As restated)	
	2020	2019
	£ 000	£ 000
<b>Current taxation</b>		
UK corporation tax at 19% (2019: 19%)	<u>-</u>	<u>(1,004)</u>

The main rate of corporation tax for the year to 31 December 2020 was 19% (2019: 19%). The Budget on 3 March announced that the rate of corporation will increase to 25% with effect from 1 April 2023.

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:

	(As restated)	
	2020	2019
	£ 000	£ 000
Profit before tax	<u>1,119</u>	<u>5,287</u>
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	(213)	(1,005)
(Increase) decrease arising from group relief tax reconciliation	211	(2)
(Increase) decrease from transfer pricing adjustments	<u>2</u>	<u>3</u>
Total tax charge	<u>-</u>	<u>(1,004)</u>

#### 10 Trade and other receivables

	(As restated)	
	2020	2019
	Current	Current
	£ 000	£ 000
Amounts owed by Group undertakings	<u>-</u>	<u>1,195</u>

Amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand. The amounts owed by Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis.

## Centrica Energy (Trading) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 11 Trade and other payables

	2020	2019 (As restated)
	Current £ 000	Current £ 000
Amounts owed to Group undertakings	<u>(2,765)</u>	<u>(1,003)</u>

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

The amounts owed to Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis.

#### 12 Capital and reserves

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

	No. 000	2020 £ 000	No. 000	2019 £ 000
Ordinary shares of £1.00 each		<u>850</u>	<u>850</u>	<u>850</u>

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.

##### **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 Director does not recommend the payment of a dividend in respect of the financial year ended 31 December 2020. No dividends were paid during the year (2019: nil).

## **Centrica Energy (Trading) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **14 Financial risk management**

##### **Credit risk and impairment**

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. The Company is exposed to credit risk in its energy trading activities.

The Company held amounts owed by Group undertakings of £nil for the financial year ended 31 December 2020 (2019: £1,195,000). The carrying value of financial assets within trade and other receivables that are past due that are not considered to be individually impaired is £nil (2019: £nil). The Company does not hold any bad debt provisions (2019: £nil).

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 Director has prepared the financial statements on the basis that the Company is not going to continue as a going concern. See the Director's report for further details.

##### **Capital risk management**

##### **Externally imposed capital requirements**

The Company was required to provide a quarterly submission on Capital adequacy to the FCA. It was 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 managed its capital requirement risk via assessing each quarter ahead in order to ensure it has sufficient capital to meet its requirements.

The Company has decided to cease its regulated activities as an EMP under the FCA. From 15 March 2021 the Company is no longer regulated under the FCA as an EMP and as a result is expected to cease its business operations in due course.

#### **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 where there is a legal right of offset, and the intent is to settle on a net basis, the fair value is approximately equal to the carrying value and balances have been presented on a net basis.

## Centrica Energy (Trading) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 15 Fair value of financial instruments (continued)

	(As restated)	
	2020	2019
	Carrying value/ Fair value	Carrying value/ Fair value
	£ 000	£ 000
Cash and cash equivalents	25,711	21,635
Amounts owed from Group undertakings	-	1,195
<b>Total financial assets</b>	<b>25,711</b>	<b>22,830</b>
Financial liabilities measured at amortised cost:		
Amounts owed to Group undertakings	(2,765)	(1,003)
<b>Total financial liabilities</b>	<b>(2,765)</b>	<b>(1,003)</b>

#### 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](http://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

The Company has decided to cease its regulated activities as an EMP under the FCA. From the 15 March 2021 the Company is no longer regulated under FCA as an EMP and as a result is expected to cease its business operations in due course. It is planned that the Company will be liquidated in due course.