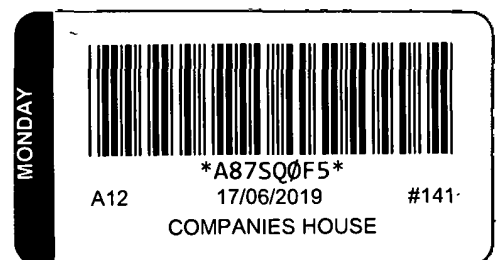


Registration number: 03275445

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Strategic Report for the Year Ended 31 December 2018

The Directors present their Strategic Report for Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited) (the 'Company') for the year ended 31 December 2018.

Principal activities

The principal activities of the Company during the year were the holding of investments in subsidiary companies that previously operated wind farms and the provision of management services, operational services and support services to Lincs Wind Farm Limited, a company which had previously been a joint venture of one of the Company's wholly owned subsidiaries.

Review of the business

On 17 February 2017 Centrica (Lincs) Wind Farm Limited (a direct subsidiary company) and its 50% joint venture partner Lincs Renewable Energy Holdings Limited agreed a joint sale of Lincs Wind Farm Limited. The Company continued to provide management services, operational services and support services to Lincs Wind Farm Limited until 17 February 2018.

In the future it is expected that the Company will provide management and support services to other Centrica Business Services businesses.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group ('the Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 41-50 of the Group's Annual Report and Accounts 2018, which does not form part of this report.

Exit from the European Union

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

Key Performance Indicators ('KPIs')

The 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 2018 which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

Future developments

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

In the future it is expected that the Company will provide management and support services to other Centrica Business Services businesses.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

Approved by the Board on 7 June 2019 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. 03275445

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire

SL4 5GD

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Directors' Report for the Year Ended 31 December 2018

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

Directors of the Company

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

R M McCord

M Futyan

M Taylor (resigned 30 April 2018)

Results and dividends

The results of the Company are set out on page 8. The profit for the financial year ended 31 December 2018 is £55,753,000 (2017: profit of £9,426,000). Dividends of £150,000,000 were paid for the year ended 31 December 2018 (2017: £nil). The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2018 (2017: £nil)

Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with the Group's undertakings. The Company did not take part in hedging of any kind.

Future developments

Future developments are discussed in the Strategic Report on pages 1 to 2.

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.

Events after the reporting period

There were no events after the reporting period.

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 financial year. The insurance does not provide cover in the event that the directors are proved to have acted fraudulently.

Disclosure of information to the auditors

Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

Statement of Directors' Responsibilities for the Year Ended 31 December 2018

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

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

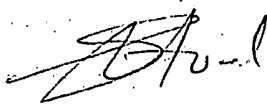
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in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

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

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 7 June 2019 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. 03275445
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Independent Auditors' Report to the Members of Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centrica Business Solutions Management Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including 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 Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 - 16.

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.

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.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Independent Auditors' Report to the Members of Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited) (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Independent Auditors' Report to the Members of Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy 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 auditors' 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.

D. Winstone

Daryl Winstone (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 7 June 2019

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Income Statement for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Revenue	4	782	6,877
Cost of sales	5	(155)	(1,152)
Gross profit		627	5,725
Operating costs	5	(102)	(7,165)
Operating profit/(loss)		525	(1,440)
Finance income	7	56,596	6,023
Profit before income taxation		57,121	4,583
Income tax (expense)/credit	10	(1,368)	4,843
Profit for the year		55,753	9,426

There were no recognised gains and losses in either period other than those shown above and accordingly no separate statement of comprehensive income has been included in the financial statements.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Statement of Financial Position as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Non-current assets			
Investments	11	1,997	1,997
Deferred tax assets	10	107	128
		<u>2,104</u>	<u>2,125</u>
Current assets			
Trade and other receivables	12	64,047	158,439
Cash and cash equivalents		-	1
		<u>64,047</u>	<u>158,440</u>
Total assets		<u>66,151</u>	<u>160,565</u>
Current liabilities			
Trade and other payables	13	(243)	(410)
		<u>(243)</u>	<u>(410)</u>
Total assets less current liabilities		<u>65,908</u>	<u>160,155</u>
Net assets		<u>65,908</u>	<u>160,155</u>
Equity			
Called up share capital	14	1	1
Retained earnings		<u>65,907</u>	<u>160,154</u>
Total equity		<u>65,908</u>	<u>160,155</u>

The financial statements on pages 8 to 21 were approved and authorised for issue by the Board of Directors on 7 June 2019 and signed on its behalf by:

Richard McCord

Mr R McCord

Company number 03275445

The notes on pages 11 to 21 form an integral part of these financial statements.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	1	160,154	160,155
Profit for the year	-	55,753	55,753
Total comprehensive income	1	215,907	215,908
Dividends paid	-	(150,000)	(150,000)
At 31 December 2018	1	65,907	65,908

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	1	150,728	150,729
Profit for the year	-	9,426	9,426
Total comprehensive income	1	160,154	160,155
At 31 December 2017	1	160,154	160,155

The notes on pages 11 to 21 form an integral part of these financial statements.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

1 General information

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

The registered office and principal place of business is:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

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

2 Accounting policies

Basis of preparation

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

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

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

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

IFRS 9: 'Financial Instruments'

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

Classification of financial assets

IFRS 9 requires the use of two criteria to determine the classification of financial assets: the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard goes on to identify three categories of financial assets - amortised cost; fair value through profit or loss (FVTPL); and fair value through other comprehensive income (FVOCI).

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

2 Accounting policies (continued)

Impairment

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

IFRS 15: 'Revenue with contracts from customers'

The primary impact of application is the revision of accounting policies to reflect the five-step approach to revenue recognition required by IFRS 15. All revenue for this Company has been assessed to be within the scope of IFRS 15 and this resulted in no changes to amounts previously recognised in the financial statements.

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

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment and intangible assets;
- 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.

As the consolidated financial statements of Centrica plc group (the 'Group'), which are available from its registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;
- disclosures of the net cash-flows attributable to the operating, investing and financing activities of discontinued operations.

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements as it's a wholly-owned subsidiary of Centrica plc. These financial statements present information about the Company as an individual undertaking and not about its group.

Measurement convention

The financial statements have been 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, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the Financial Statements were authorised.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

2 Accounting policies (continued)

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

The Company adopted IFRS 15: 'Revenue from contracts with customers' from 1 January 2018. The primary impact of application is the revision of accounting policies to reflect the five-step approach to revenue recognition required by IFRS 15. All revenue for the Company has been assessed to be within the scope of IFRS 15. This resulted in no changes to amounts previously recognised in the financial statements.

The Company's primary revenue stream is from managerial, operation and support services and is recognised over the period of the contract as these services are provided which is considered to be the performance obligation. Any cash received in advance of revenue being recognised is held within the balance sheet as a contract liability. Any revenue accrued but not yet invoiced is held within the balance sheet as a contract asset.

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.

Dividend Income: Dividend income is recognised when the right to receive payment is established.

Cost of sales

Cost of sales includes those costs directly incurred in the provision of management and support services.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset of assets and whether the arrangement conveys a right to use the asset or assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing at the reporting period date, and associated gains and losses are recognised in the Income Statement for the year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

2 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax, UK petroleum revenue tax and foreign 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.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

Investments in subsidiaries

Fixed assets investments in subsidiaries' shares are held at cost in accordance with IAS 27, less any provision for impairment as necessary.

Financial instruments

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 initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for impairment losses. Changes in the Company's impairment policy as a result of the application of IFRS 9 did not result in any material changes. 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 initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method. 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 Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

Loans and other borrowings

All interest-bearing (and interest free) loans and other borrowings with banks or similar institutions and 'intercompany entities' are initially recognised at fair value net of directly attributable transaction costs (if any, in respect of 'intercompany funding'). After initial recognition, these financial instruments are measured at amortised cost using the effective interest method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's income statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

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 may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Such estimates and the associated assumptions would be 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 Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

4 Revenue

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

	2018 £ 000	2017 £ 000
Managerial, operational and support services	<u>782</u>	<u>6,877</u>

5 Analysis of costs by nature

	2018			2017		
	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000
Operating leases - land and buildings	-	-	-	-	66	66
Contractor costs	-	-	-	100	50	150
Other costs	155	102	257	1,052	7,049	8,101
Total operating costs by nature	<u>155</u>	<u>102</u>	<u>257</u>	<u>1,152</u>	<u>7,165</u>	<u>8,317</u>

6 Employees' costs

The Company has no direct employees as of 31 December 2018 (2017: nil). However, central payroll costs amounting to £117,000 (2017: 1,180,000) were incurred through a recharge during the period in respect of an average of 3 (2017: 24) staff providing services to Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited) under an employee services agreement with a Centrica plc Group company. Also under this agreement additional pension costs of £18,000 (2017: £158,000) have been incurred from the Group company, Centrica plc.

7 Net finance income

	2018 £ 000	2017 £ 000
Interest on amounts owed from group undertakings	6,596	6,023
Dividend income from Centrica (Lincs) Wind Farm Limited	<u>50,000</u>	<u>-</u>
Total finance income	<u>56,596</u>	<u>6,023</u>

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

7 Net finance income (continued)

Interest payable to other Group undertakings is accrued at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.72% and 4.13% per annum during 2017 (2017: 3.66% and 3.86%).

8 Directors' remuneration

The emoluments of all of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Centrica plc subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements (2017: nil).

9 Auditors' remuneration

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

	2018 £ 000	2017 £ 000
Audit fees	<u>20</u>	<u>20</u>

Auditors' remuneration relates to fees for the audit of the financial statements of the Company.

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

10 Income tax

Tax (credited)/charged in the income statement

	2018 £ 000	2017 £ 000
Current tax		
UK corporation tax at 19.00% (2017: 19.25%)	1,347	778
UK corporation tax adjustment to prior periods	<u>-</u>	<u>(5,434)</u>
	<u>1,347</u>	<u>(4,656)</u>
Deferred tax		
Origination and reversal of temporary differences - UK	21	(189)
Changes in tax rates and laws	<u>-</u>	<u>2</u>
Total deferred tax	<u>21</u>	<u>(187)</u>
Tax on profit	<u>1,368</u>	<u>(4,843)</u>

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

10 Income tax (continued)

The main rate of corporation tax for the year to 31 December 2018 was 19.00% (2017: 19.25%). The corporation tax rate will reduce to 17% with effect from 1 April 2020. The deferred tax assets and liabilities included in these financial statements are based on tax rates having regard to their reversal profiles.

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

	2018 £ 000	2017 £ 000
Profit before tax	57,121	4,583
Tax expense at standard UK rate of 19.00% (2017: 19.25%)	10,853	882
<i>Effects of:</i>		
Expenses not deductible	15	-
Adjustments in respect of prior periods	-	(5,434)
Non qualifying asset	-	467
Income not taxable	(9,500)	(760)
Group relief	438	(255)
Transfer pricing adjustments	(438)	255
Tax rate changes	-	2
Total income tax expense/(credit)	1,368	(4,843)

Deferred tax

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	(128)	21	(107)

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	59	(187)	(128)

The deferred tax liabilities payable after 12 months are £nil (2017: £nil)

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

11 Investments

Equity investments

Cost

At 1 January 2018

**Shares in group
undertakings
(subsidiaries)
£ 000**

55,681

At 31 December 2018

55,681

Provision

At 1 January 2018

53,684

At 31 December 2018

53,684

Net book values

At 31 December 2018 and 31 December 2017

1,997

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

11 Investments (continued)

Details of the equity interests of the Company in its subsidiaries undertakings are as follows as at 31 December 2018:

Name of subsidiary	Principal activity	Class of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
				2018	2017
Centrica Business Solutions International Limited*	Dormant	ordinary	England and Wales	100%	100%
Centrica (Lincs) Wind Farm Limited*	Dormant	ordinary	England and Wales	100%	100%
Distributed Energy Customer Solutions Limited*	Trading	ordinary	England and Wales	100%	100%
Distributed Energy Asset Solutions Limited*	Dormant	ordinary	England and Wales	100%	100%

* indicates direct investment of the Company

All subsidiaries have their registered address at Millstream, Maidenhead Road, Windsor, SL4 5GD, United Kingdom.

12 Trade and other receivables

	2018 Current £ 000	2017 Current £ 000
Amounts owed by Group undertakings	64,038	157,745
Other receivables	9	116
Accrued income	-	578
	<u>64,047</u>	<u>158,439</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £453m (2017: £171m) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.72% and 4.13% per annum during 2018 (2017: 3.66% and 3.86%). The remaining amount is a payable to Group Undertakings of £389m (2017: payable of £15m) which is interest free. All amounts owed by Group undertakings are unsecured and repayable on demand.

Centrica Business Solutions Management Limited (formerly Centrica Renewable Energy Limited)

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

13 Trade and other payables

	2018 Current £ 000	2017 Current £ 000
Trade payables	243	225
Accrued expenses	-	36
Social security and other taxes	-	94
Other payables	-	55
	<u>243</u>	<u>410</u>

14 Capital and reserves

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1	1	1	

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

15 Related party transactions

During the year the Company earned income in relation to managerial and support services:

	2018 Joint ventures £ 000	2017 Joint ventures £ 000
Managerial and support services - Lincs Wind Farm Limited	-	950
Managerial and support services - Celtic Array Limited	-	3
Amounts receivable from Celtic Array Limited	<u>-</u>	<u>5</u>

No provision for bad or doubtful debts owed by related parties was required (2017: £nil).

16 Parent and ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales.

The ultimate parent and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com. The address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.