

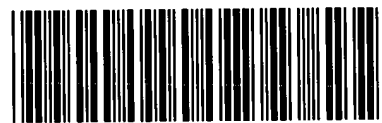
Registration number: 04710850

# Centrica Beta Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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## **Centrica Beta Holdings Limited**

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## **Centrica Beta Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2016**

The Directors present the Strategic Report for Centrica Beta Holdings Limited ("the Company") for the year ended 31 December 2016.

#### **Review of the business**

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101.

The principal activities of the Company are to act as an investment holding company and the provision of financing to Group companies. The financial position of the Company is presented on the statement of financial position on page 11.

Total equity as at 31 December 2016 was £59,589,000 (2015: £192,210,000). The loss for the financial year ended 31 December 2016 is £132,621,000 (2015: loss £49,638,000).

On 27 October 2016 Centrica International Cooperatief WA was converted to a Dutch limited company; Centrica International C BV. The Company's 1% membership contribution was converted to the shares in the new Company. On 5 December 2016 the Company purchased the remaining 99% of the investment in Centrica International C BV from Centrica Overseas Holdings Limited at cost of £20,385,000.

The Company has recognised impairment charges of £9,617,000 (2015: £2,695,000) in respect of its receivable in Centrica Nigeria Limited, which arise from a reduction of the expected realisable value of that company's operations.

During the year, and as part of an agreement between the Group and the Trustees of the UK Registered Pension Schemes, the Group provided security of £995,000,000 by way of a fixed share charge granted by Centrica Beta Holdings Limited over the shares of Centrica US Holdings Inc.

#### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company is exposed to interest rate risks linked to Centrica plc Group's (the "Group") cost of funds. As the interest rate risks relate to transactions with other Group companies they are not actively managed by the Company. Centrica plc manages the interest rate risk on long-term borrowings in line with the Group policy by ensuring the exposure to floating point interest rates remain in the range 30% to 70% including the impact of interest rate derivatives.

The Company is exposed to changes in the exchange rate of GB pounds to United States dollars and this is managed by having matching assets and liabilities in each currency. Some of the assets are investments which are not revalued resulting in a risk on re-translation of working capital balances. The Directors are satisfied that in the long term the level of risk is acceptable for the Company and in the short term are consistent with the hedging policies of the Group.

#### **Key performance indicators (KPIs)**

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the business are net assets and results after tax and these are shown above. The Directors are satisfied that the loss in the year should not change the activities or plans for the Company.

## **Centrica Beta Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2016 (continued)**

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

The UK referendum vote in June 2016 to leave the European Union has added to the uncertainties faced by the business. However, we believe that the direct impact on the business of these events is limited in the short-term. Many details of the implementation process remain unclear. Extricating from the European Union treaties is a task of immense complexity but with that being said, the business is well-positioned to manage any market impacts. There are also potential tax consequences of the withdrawal agreement which we will continue to reassess (at each reporting date) to ensure our tax provisions reflect the most likely outcome following the withdrawal.

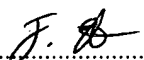
#### **Future developments**

The Company will continue its principal activity of acting as an investment holding company for the foreseeable future.

#### **Post balance sheet events**

On 20 June 2017 the Company purchased the entire issued share capital of ENER-G Group Inc. from another Group company for £5,000,000.

Approved by the Board on 23 June 2017 and signed on its behalf by:

 J. ELLIOT

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

Company registered in England and Wales, No. 04710850

Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Beta Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2016**

The Directors present their report and the audited Financial Statements for the year ended 31 December 2016.

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

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

I G Dawson

C Redcliffe

J Bell (resigned 15 April 2016)

A Page (appointed 15 April 2016)

#### **Results and dividends**

The results of the Company are set out on page 9. The loss for the financial year ended 31 December 2016 is £132,621,000 (2015: loss £49,638,000). The Directors do not recommend a dividend payment for the financial year ended 31 December 2016 (2015: £nil).

#### **Future developments**

Future developments are discussed in the Strategic Report on page 2.

#### **Going concern**

The Financial Statements have been prepared on a going concern basis 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.

#### **Directors' and officers' liabilities**

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

## **Centrica Beta Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

#### **Statement of Directors' Responsibilities**

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

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

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

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

#### **Disclosure of information to the auditors**

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

## **Centrica Beta Holdings Limited**

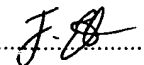
### **Directors' Report for the Year Ended 31 December 2016 (continued)**

#### **Reappointment of auditors**

Following a rigorous selection process by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing from 1 January 2017. Consequently, PricewaterhouseCoopers LLP will remain auditors of Centrica Beta Holdings Limited until the formal resignation process has been completed later in 2017, after which Deloitte LLP will be appointed as auditors of Centrica Beta Holdings Limited.

Pursuant to Section 487 of the Companies Act 2006, of the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office, until the formal resignation process has been completed.

Approved by the Board on 23 June 2017 and signed on its behalf by:

 J. ELLIOT

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

Company registered in England and Wales, No. 04710850

Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Beta Holdings Limited**

### **Independent Auditors' Report to the members of Centrica Beta Holdings Limited**

#### **Report on the financial statements**

##### ***Our opinion***

In our opinion, Centrica Beta Holdings Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### ***What we have audited***

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **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 addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## **Centrica Beta Holdings Limited**

### **Independent Auditors' Report to the members of Centrica Beta Holdings Limited (continued)**

#### **Other matters on which we are required to report by exception**

##### ***Adequacy of accounting records and information and explanations received***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### ***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### ***Our responsibilities and those of the directors***

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

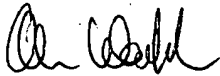
## **Centrica Beta Holdings Limited**

### **Independent Auditors' Report to the members of Centrica Beta Holdings Limited (continued)**

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



.....  
Alan Walsh (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
London

23 June 2017

## Centrica Beta Holdings Limited

### Income Statement for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Exceptional items - impairment charges	5	<u>(9,617)</u>	<u>(2,738)</u>
Operating loss		<u>(9,617)</u>	<u>(2,738)</u>
Finance income	6	46,616	5,705
Finance costs	6	<u>(178,095)</u>	<u>(58,464)</u>
	6	<u>(131,479)</u>	<u>(52,759)</u>
Loss before income tax		(141,096)	(55,497)
Income tax credit	8	<u>8,475</u>	<u>5,859</u>
Loss for the financial year		<u><u>(132,621)</u></u>	<u><u>(49,638)</u></u>

The notes on pages 13 to 29 form an integral part of these financial statements.

## Centrica Beta Holdings Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2016

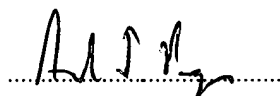
	2016 £ 000	2015 £ 000
Loss for the financial year	<u>(132,621)</u>	<u>(49,638)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u><u>(132,621)</u></u>	<u><u>(49,638)</u></u>

# Centrica Beta Holdings Limited

## Statement of Financial Position as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
<b>Non-current assets</b>			
Investments	9	<u>564,927</u>	<u>544,542</u>
		<u>564,927</u>	<u>544,542</u>
<b>Current assets</b>			
Trade and other receivables	10	<u>1,546,828</u>	<u>991,564</u>
		<u>1,546,828</u>	<u>991,564</u>
<b>Total assets</b>		<u>2,111,755</u>	<u>1,536,106</u>
<b>Current liabilities</b>			
Trade and other payables	11	<u>(2,052,166)</u>	<u>(1,343,896)</u>
<b>Total liabilities</b>		<u>(2,052,166)</u>	<u>(1,343,896)</u>
<b>Net assets</b>		<u>59,589</u>	<u>192,210</u>
<b>Equity</b>			
Called up share capital	12	433,000	433,000
Retained earnings		<u>(373,411)</u>	<u>(240,790)</u>
<b>Total equity</b>		<u>59,589</u>	<u>192,210</u>

The financial statements on pages 9 to 29 were approved and authorised for issue by the Board of Directors on 23 June 2017 and signed on its behalf by:



A Page

Director

Company number 04710850

# Centrica Beta Holdings Limited

## Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2016	433,000	(240,790)	192,210
Loss for the financial year and total comprehensive loss	-	(132,621)	(132,621)
At 31 December 2016	433,000	(373,411)	59,589

	Called up share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2015	433,000	(191,152)	241,848
Loss for the financial year and total comprehensive loss	-	(49,638)	(49,638)
At 31 December 2015	433,000	(240,790)	192,210

The notes on pages 13 to 29 form an integral part of these financial statements.

## **Centrica Beta Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **1 General information**

Centrica Beta Holdings Limited (the 'Company') is a company limited by share capital incorporated and domiciled in the UK.

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

Millstream,  
Maidenhead Road,  
Windsor,  
SL4 5GD

These financial statements were authorised for issue by the Board on 23 June 2017.

#### **2 Accounting policies**

##### **Basis of preparation**

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, and have been prepared on a going concern basis, as described in the Directors' Report.

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.

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

- A cash flow statement and related notes;
- Disclosures in respect of related parties transactions with wholly-owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

## **Centrica Beta Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

As the consolidated financial statements of Centrica plc 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 IFRS 13 *Fair value measurement* and the disclosures required by IFRS 7 *Financial instrument disclosures* have not been provided apart from those which are relevant for the financial instruments which are held at fair value.

These financial statements are presented in pounds sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company. Operations and transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

The financial statements are prepared on the historical cost basis.

#### **Going concern**

The Financial Statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, 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 Statement were authorised.

#### **Changes in accounting policy**

None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

#### **Summary of significant accounting policies and key accounting estimates**

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

#### **Finance income**

Finance 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.

#### **Exceptional items**

Exceptional items are those items which, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. Items which may be considered exceptional in nature include disposals of businesses, onerous contract charges and asset write-downs/impairments.

## **Centrica Beta Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **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 period, 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 costs'. All other foreign exchange gains and losses are presented in the income statement in the respective financial line item to which they relate.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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.

##### **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 balance sheet 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 balance sheet 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.

##### **Investments in subsidiaries**

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

## **Centrica Beta Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ('CGU').

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

## **Centrica Beta Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial assets and liabilities**

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

##### *Trade and other receivables*

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

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

##### *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 converted to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of 3 months or less.

##### *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 original invoice amount and are subsequently held at amortised cost using the EIR 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 Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 2 Accounting policies (continued)

##### *Interest bearing 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 EIR 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

##### **Investments**

A key accounting judgement of the Company is the carrying value of its investments in subsidiary undertakings and receivables from these undertakings. The impairment review process identified that some investments and receivables from Group undertakings were not fully recoverable. The impairment charge in 2016 is £9,617,000 (2015: £2,738,000).

#### 4 Employees' costs

In respect of the Directors' remuneration, refer to note 14 'related parties' transactions'. The Company had no employees during the year (2015: nil).

#### 5 Exceptional items

The following exceptional items were recognised in arriving at operating loss of the reporting year:

	2016 £ 000	2015 £ 000
Impairment charges	<u>9,617</u>	<u>2,738</u>

A receivable from Centrica Resources (Nigeria) Limited was impaired a further £9,617,000 (2015: £2,695,000) as it was assessed as unlikely to be recoverable. In 2015 the investment in Centrica Resources (Nigeria) Limited was impaired by £43,000.

# Centrica Beta Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 6 Finance income/(costs)

#### Finance income

	2016 £ 000	2015 £ 000
Interest income from amounts owed by group undertakings	46,616	5,705
<b>Total finance income</b>	<b>46,616</b>	<b>5,705</b>

#### Finance costs

	2016 £ 000	2015 £ 000
Interest on amounts owed to group undertakings	(63,422)	(23,885)
Foreign exchange losses on financing transactions	(114,673)	(34,579)
<b>Total finance costs</b>	<b>(178,095)</b>	<b>(58,464)</b>
<b>Net finance costs</b>	<b>(131,479)</b>	<b>(52,759)</b>

### 7 Auditors' remuneration

Auditors' remuneration totalling £7,140 (2015: £18,608) relates to fees for the audit of the statutory financial statements of the Company and includes fees in relation to the audit of the IFRS Group consolidation schedules, for the purpose of the Centrica plc Group audit and which also contributes to the audit 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.

# Centrica Beta Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 8 Income tax

Tax credited in the income statement

	2016 £ 000	2015 £ 000
<b>Current taxation</b>		
UK corporation tax at 20 % (2015: 20.25%)	<u>(8,475)</u>	<u>(5,859)</u>

The Company earns the majority of its profits in the UK. Most of these UK activities are subject to the standard rate for UK corporation tax, which from 1 April 2016 was 20% (2015: 20.25%).

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

	2016 £ 000	2015 £ 000
Loss before taxation	<u>(141,096)</u>	<u>(55,497)</u>
Tax credit at standard UK rate of 20% (2015: 20.25%)	(28,219)	(11,236)
<b>Effects of:</b>		
Net expenses non-deductible for tax purposes	19,826	5,638
Increase in current tax from adjustment for prior periods	109	2
Decrease from effect of unrelieved tax losses carried forward	(191)	(154)
Increase (decrease) arising from group relief tax reconciliation	(55)	-
Decrease from transfer pricing adjustments	<u>55</u>	<u>(109)</u>
Total income tax credit	<u>(8,475)</u>	<u>(5,859)</u>

The main rate of corporation tax for the year to 31 December 2016 was 20%. The corporation tax rate will reduce to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020 following the Finance (No 2) Act 2015 and Finance Act 2016.

## Centrica Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 9 Investments

	Shares in group undertakings (subsidiaries) £ 000
<i>Equity investments</i>	
<b>Cost</b>	
At 1 January 2016	544,585
Additions	20,385
At 31 December 2016	<u>564,970</u>
<b>Provision</b>	
At 1 January 2016	<u>43</u>
At 31 December 2016	<u>43</u>
<b>Net book values</b>	
At 31 December 2016	<u>564,927</u>
At 31 December 2015	<u>544,542</u>

On 27 October 2016 Centrica International Cooperatief WA was converted to a Dutch limited company; Centrica International C BV. The Company's 1% membership contribution was converted to the shares in the new Company. On 5 December 2016 the Company purchased the remaining 99% of the investment in Centrica International C BV from Centrica Overseas Holdings Limited at cost of £20,385,000.

## Centrica Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 10 Trade and other receivables

	2016 £ 000	2015 £ 000
Amounts owed by group undertakings	<u>1,546,828</u>	<u>991,564</u>

Amounts owed by Group undertakings of £315,626,000 (2015: £307,035,000) are unsecured and accrue interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds (2015: 3 month LIBOR rate applicable on the last day of the preceding quarter) with interest payable quarterly in arrears and are repayable on demand.

Amounts owed by Group undertakings of US\$1,494,066,000 (£1,210,750,000) (2015: US\$989,849,000 (£671,858,000)) are unsecured, accrue interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 2.86% and 4.37% per annum during 2016 (2015: 2.03% and 2.46%).

Amounts owed by Group undertakings in respect of Group relief of £8,584,000 (2015: £nil) are unsecured and interest free.

Amounts owed by Group undertakings of £10,790,000 (2015: £10,900,000) are unsecured and interest free.

£1,078,000 (2015: £1,771,000) relates to accrued interest.

All amounts owed by Group undertakings are repayable on demand.

Amounts owed by Group undertakings are net of impairment provisions of £59,165,000 (2015: £49,548,000).

#### 11 Trade and other payables

	2016 £ 000	2015 £ 000
Amounts owed to group undertakings	<u>2,052,166</u>	<u>1,343,896</u>

Amounts owed to Group undertakings includes £64,954,000 (2015: £43,054,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.04% and 4.04% per annum during 2016 (2015: 2.36% and 2.88%). All amounts payable to Group undertakings are unsecured with interest payable monthly in arrears and are repayable on demand.

Amounts owed to Group companies totalling US\$2,449,118,000 (£1,984,699,000) (2015: US\$1,911,433,000 (£1,297,348,000)) are unsecured, bear interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds with interest payable monthly in arrears and are repayable on demand. The quarterly rates ranged between 2.86% and 4.37% per annum during 2016 (2015: 2.03% and 2.46%).

Amounts owed to Group companies totalling £238,000 (2015: £238,000) are interest free and unsecured. The balance of £2,275,000 (2015: £3,256,000) relates to accrued interest.

# Centrica Beta Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 12 Called up share capital

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

	2016		2015	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>433,000</u>	<u>433,000</u>	<u>433,000</u>	<u>433,000</u>

### 13 Other commitments and contingencies

#### Other financial commitments

During the year, and as part of an agreement between the Group and the Trustees of the UK Registered Pension Schemes, the Group provided security of £995,000,000 by way of a fixed share charge granted by Centrica Beta Holdings Limited over the shares of Centrica US Holdings Inc.

The total amount of other financial commitments not provided in the financial statements was £995,000,000 (2015 - £Nil).

### 14 Related party transactions

#### Directors' remuneration

There were 2 directors (2015: 2) to whom retirement benefits are accruing under defined benefit pension schemes and 2 directors (2015: 1) to whom retirement benefits are accruing under money purchase pension schemes.

There were 2 directors (2015: 3) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme and 0 directors (2015: 2) who exercised share options relating to the ultimate parent company.

The highest paid director received emoluments of £183,000 (2015: £171,000) and the company contributed £25,000 (2015: £21,000) to his pension scheme.

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Directors' emoluments	376	313
Contributions into pension schemes	<u>45</u>	<u>35</u>
	<u>421</u>	<u>348</u>

## Centrica Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 15 Related undertakings

The company has related undertakings as follows:

Name	Principal activity	Country of incorporation	Registered address key (i)	Class of shares held	Direct investment and voting rights (%)	Indirect interest and voting rights (%)
Airtron Inc.	Home and/or commercial services	United States	B	Ordinary shares		100
Allegheny Solar 1 LLC	Energy supply and/or services	United States	N	Membership interest		40
Astrum Solar Inc.	Home and/or commercial services	United States	B	Ordinary shares		100
AWHR America's Water Heater Rentals LLC	Home and/or commercial services	United States	B	Membership interest		100
Benjamin Franklin Franchising LLC	Home and/or commercial services	United States	D	Membership interest		100
Bounce Energy Inc.	Energy supply	United States	B	Ordinary shares		100
BuyMax LLC	Home and/or commercial services	United States	D	Membership interest		100
Centrica Alpha Finance Limited	Dormant	United Kingdom	A	Ordinary shares		100
Centrica America Limited	Dormant	United Kingdom	A	Ordinary shares	100	
Centrica Connected Home US Inc. (ii)	Energy management products and services	United States	D	Ordinary shares		100
Centrica Finance (US) Limited	Holding company	United Kingdom	A	Ordinary shares	100	

## Centrica Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 15 Related undertakings (continued)

Name	Principal activity	Country of incorporation	Registered address key (i)	Class of shares held	Direct investment and voting rights (%)	Indirect interest and voting rights (%)
Centrica HoldCo GP LLC	Holding company	United States	B	Membership interest		100
Centrica International BV	Group financing	Netherlands	E	Ordinary shares	100	
Centrica International C BV (ii)	Holding company	Netherlands	E	Ordinary shares		100
Centrica Nigeria Limited	Holding company	United Kingdom	A	Ordinary shares	100	
Centrica Resources (Nigeria) Limited	Non-trading	Nigeria	F	Ordinary shares		100
Centrica US Holdings Inc.	Holding company	United States	B	Ordinary shares	100	
Clockwork Acquisition II Inc.	Home and/or commercial services	United States	B	Ordinary shares		100
Clockwork Inc.	Home and/or commercial services	United States	B	Ordinary shares		100
Clockwork IP LLC	Holding company	United States	B	Membership interest		100
CPL Retail Energy LP	Energy supply	United States	B	Membership interest		100
Direct Energy Business LLC	Energy supply and/or services	United States	D	Membership interest		100
Direct Energy Business Marketing LLC	Energy supply and/or services	United States	D	Membership interest		100
Direct Energy GP LLC	Holding company	United States	D	Membership interest		100
Direct Energy LP	Energy supply	United States	G	Membership interest		100
Direct Energy Investments LLC	Energy supply and/or services	United States	B	Membership interest		100

## Centrica Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 15 Related undertakings (continued)

Name	Principal activity	Country of incorporation	Registered address key (i)	Class of shares held	Direct investment and voting rights (%)	Indirect interest and voting rights (%)
Direct Energy Leasing LLC	Home and/or commercial services	United States	B	Membership interest		100
Direct Energy Marketing Inc.	Wholesale energy trading	United States	B	Ordinary and preference shares		100
Direct Energy Operations LLC	Energy supply and/or services	United States	B	Membership interest		100
Direct Energy Services LLC	Energy supply and/or services	United States	B	Membership interest		100
Direct Energy Services Retail Inc.	Home and/or commercial services	United States	B	Ordinary shares		100
Direct Energy US Home Services Inc.	Home and/or commercial services	United States	B	Ordinary shares		100
Energy America LLC	Energy supply	United States	B	Membership interest		100
First Choice Power LLC (ii)	Energy Supply and/or services	United States	G	Membership interest		100
Gateway Energy Services Corporation	Energy supply	United States	H	Ordinary shares		100
Home Warranty Holdings Corp.	Insurance provision	United States	B	Ordinary shares		100
Home Warranty of America Inc. (iii)	Home and/or commercial services	United States	I	Ordinary shares		100

## Centrica Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 15 Related undertakings (continued)

Name	Principal activity	Country of incorporation	Registered address key (i)	Class of shares held	Direct investment and voting rights (%)	Indirect interest and voting rights (%)
Home Warranty of America Inc. (iii)	Home and/or commercial services	United States	J	Ordinary shares		100
Masters Inc.	Home and/or commercial services	United States	C	Ordinary shares		100
Mister Sparky Franchising LLC	Home and/or commercial services	United States	K	Membership interest		100
New Millennium Academy LLC	Home and/or commercial services	United States	D	Membership interest		100
One Hour Air Conditioning Franchising LLC	Home and/or commercial services	United States	K	Membership interest		100
Panoramic Power Ltd.	Energy management products and services	Israel	L	Ordinary shares		100
Quality A/C Service LLC	Home and/or commercial services	United States	M	Membership interest		100
RSG Holding Corp.	Holding company	United States	B	Ordinary shares		100
SuccessWare Inc.	Home and/or commercial services	United States	D	Ordinary shares		100
Three Rivers Solar 1 LLC	Energy supply and/or services	United States	N	Membership interest		40

## Centrica Beta Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 15 Related undertakings (continued)

Name	Principal activity	Country of incorporation	Registered address key (i)	Class of shares held	Direct investment and voting rights (%)	Indirect interest and voting rights (%)
Three Rivers Solar 2 LLC	Energy supply and/or services	United States	N	Membership interest		40
UWIN LLC	Home and/or commercial services	United States	K	Membership interest		100
WTU Retail Energy LP	Energy Supply	United States	B	Membership interest		100

(i) For list of registered addresses, refer to below table.

(ii) Acquired or established in 2016.

(iii) Home Warranty of America Inc. is registered as separate entities in the states of California and Illinois.

All companies principally operate within their country of incorporation.

#### List of registered addresses

Registered address key	Address
A	Millstream, Maidenhead Road, Windsor, SL4 5GD, United Kingdom
B	3411 Silverside Road Rodney Building #104, Wilmington, DE 19810, United States
C	2 Wisconsin Circle #700, Chevy Chase, MD 20815, United States
D	12747 Olive Boulevard #300, St. Louis, MO 63141, United States
E	Polarisavenue 39, 2132 JH Hoofddorp, Netherlands
F	Sterling Towers, 20 Marina, Lagos, Nigeria
G	4265 San Felipe #1100, Houston, TX 77027, United States
H	15 North Mill Street, Nyack, NY 10960, United States
I	1430 Truxtun Avenue, Bakersfield, CA 93301, United States
J	350 S. Northwest Highway #300, Park Ridge, IL 60068, United States
K	11380 Prosperity Farms Road # 221E, Palm Beach Gardens, FL 33410, United States
L	P.O.B 29671, 9 Ahad Ha'am St., Tel-Aviv 6129601, Israel
M	8275 South Eastern Avenue #200, Las Vegas, NV 89123, United States
N	1209 Orange Street, Wilmington, New Castle County, DE 19801, United States

## **Centrica Beta Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **16 Parent and ultimate parent undertaking**

The immediate parent undertaking is Centrica plc, 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](http://www.centrica.com).

#### **17 Post Balance Sheet Events**

On 20 June 2017 the Company purchased the entire issued share capital of ENER-G Group Inc. from another Group company for £5,000,000.