Registered number: 08807923

Centrica Energy Marketing Limited

Annual Report and Financial Statements
for the Period Ended 31 December 2014

Contents

The Directors present the Strategic Report of Centrica Energy Marketing Limited (the Company) for the period from 9 December 2013 to 31 December 2014.

Business review

During 2013, the Directors of British Gas Trading Limited (BGTL) decided to improve the transparency of BGTL's financial reporting. In order to achieve this, the Directors approved a reorganisation to separate out the trading activities previously included in BGTL into a new entity Centrica Energy Marketing Limited (CEML). The Directors also noted that this separation would improve the corporate governance of BGTL since its Directors would be responsible for downstream activities only and not a mixture of downstream and trading activities. As part of this process on 31 December 2013 part of the trade, net assets and unrealised commodity contracts of the Centrica Energy business units previously included in BGTL were sold to CEML. These financial statements cover the first period of trading from the company's incorporation on 9 December 2013 to 31 December 2014.

CEML's principal activity is the optimisation of Gas and Power contracts and assets. Within the Gas business, the company optimises income from long term gas sales and purchase contracts, Centrica Energy's gas storage contracts in the UK and Europe, its European Gas network capacity and from hedging output from CE's offshore gas assets. Within the Power segment the business optimises power generated from gas fired CCGT stations owned by BGTL affiliates, an affiliate's investment in nuclear generation and external renewables power contracts.

During 2014, CEML exercised options to choose the period in which certain volumes of gas will be delivered. The contracts have a minimum contract volume which, if not taken in the year, must be paid for. These contracts are thus referred to as "take or pay" contracts as CEML can either "take" the minimum quantity of gas in a contract year or "pay" i.e. defer the minimum quantity of gas until a future year whilst paying in full for the cost of gas deferred. As a result of deferring the gas take, CEML pre-paid for £105m of gas that will be taken beyond 2014 and is included on the balance sheet at 31 December 2014.

Whilst the Company is forecast to make overall profits in the future, certain contracts in the portfolio are loss making and onerous provisions need to be established for these contracts. In the period the Directors' of CEML have provided £767.7m to recognise the fair value of out of the money commodity contracts acquired from BGTL, this provision will unwind as the contracts deliver the gas and power.

The financial position of the company was in line with expectations and is monitored by the Directors of the Company.

Principal risks and uncertainties

From the perspective of the Company, the risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the risks and uncertainties of the Group which include those of the Company are discussed on pages 40-45 of the Centrica plc 2014 Annual Report and Accounts which does not form part of this report.

The principal financial risk and uncertainty affecting the business and the execution of the Company strategy arises from optimising its asset backed sales, purchase and storage contracts profitability. This risk applies to ongoing contract profitability and the profitability of new incremental gas and power contracts.

Key performance indicators (KPIs)

The Directors of the Group use a number of key performance indicators to monitor process against the Group's strategy. The financial and non-financial performance indicators, which include the Company, are discussed on pages 18 and 19 of the Annual Report and Accounts of the Group which does not form part of this report.

In addition to operating profit, the Directors monitor the extent of new business against set targets to assess the performance of the business. In 2014 these indicators were in line with expectations.

Future developments

The company continues to assess incremental power and gas sales, purchase and storage contracts to increase the volume of commodity that the company can optimise under its asset backed trading model.

In light of changed circumstances the Group launched a fundamental strategic review in February, focused on: i) outlook and sources of growth; ii) portfolio mix and capital intensity; iii) operating capability and efficiency; and iv) Group financial framework. The conclusions of the strategic review were announced on 30 July 2015 as part of the Centrica plc interim results. The impact of this strategic review on the Company is yet to be fully determined but it will be the focus of the Directors during the remainder of 2015

This report was approved by the board on 7 September 2015.

J.ELLIOT

By order of the board for and on behalf of Centrica Secretaries Limited

Company Secretary

Company registered in England and Wales, No. 08807923

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire

SL4 5GD

The Directors present their report and the audited financial statements of the Company for the period from 9 December 2013 to 31 December 2014.

Future developments
Future developments are discussed in the Strategic Report. Refer to page 3.

Results and dividends
The results of the Company are set out on page 8. The loss for the financial period ended 31 December 2014 is £531.9m.

The Company did not pay an interim dividend during the period. The Directors do not recommend the payment of a final dividend period.

Financial position
The financial position of the Company is presented in the Balance Sheet on page 9. Total shareholders' deficit at 31 December 2014 was £26.4m.

Prior to recognition of the onerous contract provision of £768m, the Company generated an operating profit of £146m for the period from 9 December 2013 to 31 December 2014. The shareholders' deficit of £26.4m was generated due to the recognition of fair value of out of the money contracts during 2014 as detailed in note 3.

On incorporation the Company issued one share for cash at a premium of £300m. On the 10th December 2013 the company undertook a capital reduction of £300m under S642 of the Companies Act 2006.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Centrica plc. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after these financial statements are signed.

Financial risk management
The Directors have established objectives for profitable development of the Company and policies for managing financial risks. These objectives are reviewed annually and are detailed in the strategic report on page 3.

Directors
The following served as Directors during the period and up to the date of signing of this report:

J Bell (appointed 9 December 2013; resigned 11 December 2013)
S C Dee (appointed 11 December 2013)
V M Hanafin (appointed 11 December 2013)
D Isenegger (appointed 11 December 2013)
A D Le Poidevin (appointed 11 December 2013)
A Netemeyer (appointed 11 December 2013)
A M Todd (appointed 9 December 2013; resigned 11 December 2013)

Directors' and officers' liability
In accordance with the Articles of Association, the Company has granted a deed of indemnity, to the extent permitted by law, to Directors and officers of the Company. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the period ended 31 December 2014 and remain in force.

The Company also maintains directors' and officers' liability insurance for its Directors and officers which 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 or officer is proved to have acted fraudulently.

Post balance sheet events
Post balance sheet events are detailed in note 23 of the financial statements.

Statement of directors' responsibilities
The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 have been followed, subject to any material departures disclosed and explained in the financial statements;

Statement of directors' responsibilities (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and that they have taken all the 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.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the board on 7 September 2015.

J. Elliot

J. ELLIOT

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

Company registered in England and Wales, No. 08807923
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Independent Auditors' Report to the Members of Centrica Energy Marketing Limited

Report on the financial statements

Our opinion
In our opinion, Centrica Energy Marketing 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 2014 and of its loss for the period from 9 December 2013 to 31 December 2014 (the "period");
- 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 comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the period 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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 if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been 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.

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 and Financial Statements for the Period Ended 31 December 2014 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.

Mark King (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

7 September 2015

Profit and Loss Account for the Period Ended 31 December 2014

	Note	Period from 9 December 2013 to 31 December 2014
		£m
Turnover	2	**2,883.3**
Cost of sales before exceptional items		(2,655.3)
Exceptional items- onerous contract provision	3	(767.7)
Cost of sales		(3,423.0)
Gross loss		(539.7)
Administrative expenses		(82.4)
Operating loss		**(622.1)**
Interest receivable and similar income	7	11.6
Interest payable and similar charges	7	(3.6)
Loss on ordinary activities before taxation		**(614.1)**
Tax on loss on ordinary activities	8	82.2
Loss for the financial period	18	(531.9)

There are no material differences between the loss on ordinary activities before taxation and loss for the financial period stated above and their historical cost equivalents.

There have been no recognised gains or losses during the period other than those shown above in the profit and loss account.

All activities relate to continuing operations

The notes on pages 10 to 19 form part of these financial statements.

Balance Sheet as at 31 December 2014

	Note	2014 £m
Fixed assets		
Intangible assets	9	15.9
Tangible assets	10	77.5
		93.4
Current assets		
Stocks	11	138.8
Debtors	12	859.0
Cash at bank and in hand	14	4.4
		1002.2
Creditors: amounts falling due within one year	15	(247.7)
Net current assets		754.5
Total assets less current liabilities		847.9
Provisions for liabilities	16	(874.3)
Net liabilities		(26.4)
Capital and reserves		
Called up share capital	17	-
Merger reserve	18	205.5
Other reserve	18	300.0
Share premium account	18	-
Profit and loss account	18	(531.9)
Total shareholder's deficit	19	(26.4)

The notes on pages 10 to 19 form part of these financial statements.

The financial statements on pages 8 to 19 were approved and authorised for issue by the Board of Directors on 7 September 2015.

S C Dee
Director
Company number 08807923

1. Principal accounting policies
The following accounting policies have been applied consistently in relation to the Company's financial statements.

Accounting principles
The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the applicable United Kingdom Accounting Standards and the Companies Act 2006. The principal accounting policies have been applied consistently except as noted and are set out below.

Basis of preparation
The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Centrica plc. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after these financial statements are signed.

The Company is a wholly-owned subsidiary undertaking of GB Gas Holdings Limited, which is a wholly-owned subsidiary undertaking whose ultimate parent company is Centrica plc. The Company has taken advantage of the exemptions within FRS 1, "Cash flow statements" (revised 1996), from presenting a cash flow statement and within FRS 8, "Related party disclosures", from disclosing transactions with other wholly-owned group companies.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Onerous contract provision

(i) European gas transportation capacity contracts
The onerous provision is calculated using capacity costs incurred under the contracts, less any predicted income. The provision assumes that contracts for capacity in Continental Europe are onerous but those that enable gas to be transported directly back into the UK are intended to achieve security of supply in the future. Therefore no provision has been recognised relating to these latter contracts.

(ii) Commodity contract loss provision
The commodity contract loss provision represents a loss equivalent to the fair value of out the money commodity contracts purchased from British Gas Trading Limited. These are not fair value accounted on the balance sheet due to the Company not having adopted FRS 26 or FRS 29. Fair values of energy derivatives are estimated by reference in part to published price quotations in active markets and in part by using valuation techniques. Quoted market prices considered for valuation purposes are the bid price for assets held and/or liabilities to be issued, or the offer price for assets to be acquired and/or liabilities held, although the mid-market price or another pricing convention may be used as a practical expedient (where typically used by other market participants).

Turnover
Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be measured reliably. Turnover includes amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates, value added tax and other sales-related taxes. All turnover relates to the principal activity of the business and occurred in the United Kingdom and Europe.

Cost of sales
Cost of sales includes the cost of gas and electricity purchased during the period and related transportation, capacity, and service costs.

Exceptional items
The items that the Company separately presents as exceptional are items which are of a non-recurring nature and, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence in order to present a clear and consistent presentation of the Company's underlying business performance. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contracts and asset write-downs.

Foreign currencies
The financial statements of the Company are presented in pounds sterling, which is the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the sterling currency rate of exchange ruling at the balance sheet date. Exchange differences are recognised through the Profit and Loss account for the period. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Foreign currency transactions which have not been settled at the balance sheet date are translated at the rate prevailing at that date.

EU Emissions Trading Scheme (EU ETS) and Renewable Obligations Certificates (ROCs)
Purchased EU ETS emissions allowances are recognised initially at cost (purchase price) within intangible assets. The Company is acting as agent for ROCs purchased on behalf of British Gas Energy Procurement Limited. No assets are recognised for purchased ROCs since they are transferred to British Gas Energy Procurement Limited immediately on purchase.

1. Principal accounting policies (continued)

Tangible fixed assets
Tangible fixed assets are included in the Balance Sheet at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation.

For purchased application software; capitalisation begins when expenditure for the asset is being incurred and activities necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Depreciation commences at the point of commercial deployment.

Tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives. The depreciation periods for the principal categories of assets are as follows:

Plant	5 to 20 years
Equipment and vehicles	3 to 10 years
Application software and licences	Up to 20 years

Asset impairments
Intangible and tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value, if higher. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount. An impairment loss is recognised immediately as an expense.

Leases
Rentals under operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease term in relation to the periods in which they fall due.

Stocks
Stocks of gas and oil are valued on a weighted average basis, at the lower of cost and estimated net realisable value.

Prepayments and accrued income
Prepayments and accrued income comprise payments made in advance relating to the following year, and income relating to the current year, which will not be invoiced until after the balance sheet date. Where payments are made to suppliers under take-or-pay obligations for gas not yet taken, they are treated as prepayments and are included within debtors, provided they are expected to generate future economic benefits.

Accruals and deferred income
Accruals and deferred income comprise expenses relating to the current year, which will not be invoiced until after the balance sheet date, and income received in advance relating to the following year.

Provisions
Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Where discounting is used the increase in the provision due to the passage of time is recognised in the Profit and Loss Account and included within interest payable and similar charges.

Group reorganisations
In the absence of specific guidance under UK GAAP, the Company has adopted an accounting policy which records acquisitions of a business from another group company using the principals of merger accounting prospectively from the date of the transaction.

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

1. Principal accounting policies (continued)

Financial instruments

Certain financial instruments are used by the Company to manage financial risks. Gains and losses are recognised in the Profit and Loss Account in the same period as the income and costs of the realised hedged transactions. Outstanding contracts used to hedge against trading items which themselves will be accounted for in a future period, are not recognised, or are deferred until they mature and are carried forward to match against corresponding gains and losses when they occur.

Financial assets are included in the Balance Sheet at cost, less any provisions for impairment as necessary. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received.

The Company has not adopted FRS 26 or FRS 29 in respect of the fair value of financial instruments. In accordance with the Companies Act 2006, the fair values of the Company's derivative financial instruments have been analysed in note 21.

2. Turnover

All turnover relates to the principal activity of the business and occurred in the United Kingdom and Europe as follows.

	Period from 9 December 2013 to 31 December 2014 £m
United Kingdom	2,877.5
Europe	5.8
	2,883.3

3. Onerous Contract Provision

	Period from 9 December 2013 to 31 December 2014 £m
Commodity contract loss provision	767.7
Exceptional cost of sales	767.7

Centrica Energy Marketing Limited has recognised a loss equivalent to the fair value of out the money commodity contracts purchased from British Gas Trading Limited. These are not fair value accounted on the balance sheet due to the Company not having adopted FRS 26 or FRS 29.

4. Operating loss

Operating loss is stated after charging:	Note	Period from 9 December 2013 to 31 December 2014 £m
Depreciation:		
Owned tangible fixed assets	10	19.9
Operating lease rentals:		
Tolling		60.4
Auditors' remuneration:		
Statutory audit		0.1
Non audit		0.0

Auditors' remuneration totalling £109k relates to fees for the audit of the 2014 UK GAAP financial statements of Centrica Energy Marketing Limited and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica plc Group audit. Auditor's remuneration totalling £28k in relation to non-audit work in respect of the Company has been fully borne by Centrica plc.

5. Directors' emoluments

All Directors' emoluments were borne by other Group companies and recharged to the Company. The aggregate emoluments paid to Directors in respect of their qualifying services were £1,118,223. The aggregate value of Company contributions paid to a pension scheme in respect of Directors' qualifying services was £74,006.

There was 1 Director to whom retirement benefits are accruing under a defined benefit pension scheme and 3 Directors to whom retirement benefits are accruing under money purchase pension schemes.

There were 2 Directors who exercised share options relating to the ultimate parent company and 5 Directors who received shares in the ultimate parent Company in respect of their qualifying services under a long-term incentive scheme.

The highest paid Director received emoluments of £379,353 for services to the Company and the Company contributed £28,008 to their pension scheme. The highest paid Director is accruing benefits under a money purchase scheme. In the current period the highest paid Director received shares in respect of qualifying services under a long-term incentive scheme. In the current period the highest paid Director exercised share options relating to the ultimate parent company.

6. Employee information

The Company has no employees and no staff costs. The employees remain employed by British Gas Trading Limited. Employee costs for business units within Centrica Energy Marketing Limited are recharged to the Company via intra-group recharges and recognised in operating costs.

7. Net interest

	Period from 9 December 2013 to 31 December 2014 £m
Interest receivable and similar income	
Interest receivable from Group undertakings	10.7
Exchange gains	0.9
	11.6
Interest payable and similar charges	
Notional interest arising on discounted items	(3.3)
Other interest payable	(0.3)
	(3.6)
Net interest receivable	8.0

8. Tax on loss on ordinary activities

(a) Analysis of tax credit in the period	Period from 9 December 2013 to 31 December 2014 £m
The tax credit comprises:	
Current tax	
United Kingdom corporation tax at 21.5%	83.8
Total current tax	83.8
Deferred tax	
Origination and reversal of timing differences	(1.7)
Effect of changes in tax rates	0.1
Tax on loss on ordinary activities	82.2

8. Tax on loss on ordinary activities (continued)

b) Factors affecting the tax charge for the period

The tax assessed for the period differs from that calculated at the standard rate of corporation tax in the UK 21.5%. The differences are explained below:

	Period from 9 December 2013 to 31 December 2014 £m
Loss on ordinary activities before tax	(614.1)
Tax on loss on ordinary activities at standard UK corporation tax rate of 21.5%	132.0
Effects of	
Expenses not deductible for tax purposes	-
Capital allowances in excess of depreciation	(4.0)
Taxable receipt credited to reserves	(44.2)
UK:UK transfer pricing adjustments	-
Adjustments in respect of prior years	-
Current tax credit for the period	**83.8**

The main rate of corporation tax was reduced from 23% to 21% from 1 April 2014. A further reduction to reduce the rate to 20% from 1 April 2015 was substantively enacted under Finance Act 2013 and has been reflected within these financial statements.

9. Intangible fixed assets

	Emission allowances £m
Cost	
On incorporation	-
Transfer from group company	14.9
Additions	15.7
Disposals	(14.2)
At 31 December 2014	16.4
Accumulated amortisation	
On incorporation	-
Transfer from group company	(0.5)
At 31 December 2014	(0.5)
Net book value	
At 31 December 2014	15.9

10. Tangible fixed assets

	Software £m	Plant, equipment and vehicles £m	Total £m
Cost			
On incorporation	-	-	-
Transfer from group company	104.8	4.0	108.8
Additions	15.7	1.5	17.2
Disposals	(2.6)	-	(2.6)
At 31 December 2014	117.9	5.5	123.4
Accumulated depreciation			
On incorporation	-	-	-
Transfer from group company	(25.9)	(0.8)	(26.7)
Charge for the period	(18.2)	(1.7)	(19.9)
Disposals	0.7	-	0.7
At 31 December 2014	(43.4)	(2.5)	(45.9)
Net book value			
At 31 December 2014	74.5	3.0	77.5

11. Stocks

	2014 £m
Gas in storage	138.8
	138.8

12. Debtors

	2014 £m
Amounts owed by group undertakings	701.9
Prepayments and accrued income	133.7
Accrued energy income	23.4
	859.0

The amounts receivable from Group undertakings include £586.6m that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 1.69 and 1.90% per annum during 2014. The other amounts receivable from Group undertakings are interest-free. All amounts receivable from Group undertakings are unsecured and repayable on demand.

13. Deferred taxation

	Transfer from group company £m	Profit and loss charge/(credit) £m	Effect of changes in tax rates £m	At 31 December 2014 £m
Deferred corporation tax				
- accelerated capital allowances	-	1.7	(0.1)	**1.6**
- other timing differences	-	-	-	**-**
Deferred tax liability	-	1.7	(0.1)	**1.6**

There are no amounts of unrecognised deferred tax.

14. Cash at bank and in hand

	2014 £m
Cash at bank and in hand	**4.4**

15. Creditors: amounts falling due within one year

	2014 Amounts falling due within one year £m
Accruals and deferred income:	
Transportation	**4.3**
Other accruals and deferred income	**241.8**
Deferred tax	**1.6**
	247.7

16. Provisions for liabilities

	Transfer from group company £m	Profit and loss charge £m	Notional interest £m	Utilised £m	At 31 December 2014 £m
Commodity contract loss provision	29.6	767.7	-	(12.8)	**784.5**
Renegotiation provision	26.6	-	-	-	**26.6**
Storage contract loss provision	0.9	-	-	(0.9)	**-**
European capacity contract provision	73.8	-	3.3	(13.9)	**63.2**
	130.9	767.7	3.3	(27.6)	**874.3**

16. Provisions for liabilities (continued)

Commodity contract loss provision
The commodity contract loss provision represents a loss equivalent to the fair value of out the money commodity contracts purchased from British Gas Trading Limited. The contracts are not fair value accounted on the balance sheet due to the Company not having adopted FRS 26 or FRS 29.

Renegotiation provision
In previous years, the Group renegotiated certain long-term take-or-pay contracts which would have resulted in commitments to pay for gas that would be in excess of requirements and/or at prices above likely market rates. The provision represents the net present cost of estimated payments due to suppliers as consideration for the renegotiations, based on the reserves in a group of third-party fields.

Storage contract loss provision
The storage contract loss provision represents the net present cost, using a risk free discount rate, of expected losses on onerous long-term purchase contracts based on the difference between contracted purchase prices, including capacity payments where relevant, and the highest sales price for the expected volumetric take of commodity. The transferred storage contract loss provision relates to onerous gas storage contracts and was utilised during the period.

European onerous capacity contract provision
The onerous provision is calculated using capacity costs incurred under the contracts, less any predicted income. The provision assumes that contracts for capacity in Continental Europe are onerous but those that enable gas to be transported directly back to the UK are intended to achieve security of supply in the future. Therefore no provision has been recognised relating to these latter contracts.

17. Called up share capital

	2014
	£
Authorised, issued, allotted and fully paid	
1 ordinary share of £1 (i)	1

(i) On incorporation the Company issued one share for cash at a premium of £300m. On the 10th December 2013 the company undertook a capital reduction of £300m under S642 of the Companies Act 2006.

18. Reserves

	Merger reserve £m	Share premium account £m	Profit and loss account £m	Other reserve £m	Total £m
On incorporation	-	-	-	-	-
Loss for the financial period	-	-	(531.9)	-	**(531.9)**
Issue of shares (i)	-	300.0	-	-	**300.0**
Reduction of capital		(300.0)	-	300.0	**-**
Merger reserve (ii)	205.5	-	-	-	**205.5**
At 31 December	205.5	-	(531.9)	300.0	**(26.4)**

(i) On incorporation the Company issued one share for cash at a premium of £300m. On the 10th December 2013 the company undertook a capital reduction of £300m under S642 of the Companies Act 2006.
(ii) Centrica Energy Marketing Limited has chosen to merger account for the difference between the consideration due from British Gas Trading Limited and net assets recognised. The merger reserve arising relates to the out of the money commodity contracts transferred from British Gas Trading Limited which cannot be recognised on the balance sheet as the company has not adopted FRS26 and FRS29.

19. Reconciliation of movements in shareholders' deficit

	2014
	£m
On incorporation (i)	300.0
Merger reserve	205.5
Loss for the financial period	(531.9)
Closing shareholders' deficit	(26.4)

(i) On incorporation the Company issued one share for cash at a premium of £300m. On the 10th December 2013 the company undertook a capital reduction of £300m under S642 of the Companies Act 2006.

20. Commitments and contingencies

On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold its beneficial interest in certain contracts to Centrica Energy Marketing Limited. As a result of this sale, certain commitments, previously held by British Gas Trading Limited, are now included within Centrica Energy Marketing Limited. The agreement remains operational until both parties agree to terminate the agreement. Certain of the transportation capacity, tolling and commodity purchase commitments disclosed below have been provided for as part of the onerous contract provisions disclosed in note 16.

	2014
	£m
a) Commitments in relation to the acquisition of fixed assets	
Renewable obligation certificates	2,151.8
European Union allowances	30.7
Software	6.6
	2,189.1

	2014
	£m
b) Commitments in relation to other contracts	
Transportation capacity	131.1
Levy exemption certificates (i)	120.2
Tolling (ii)	236.7
Other	4.0
	492.0

(i) On 8 July 2015 the UK Government announced the removal of the Climate Change Levy (CCL) exemption for renewably sourced electricity from 1 August 2015. As a result, the Company's commitment to purchase levy exemption certificates would have been reduced from £120m to £7m. This is included as a post balance sheet event see note 23.

(ii) Payments under certain station tolling arrangements are contingent on the capacity being made available to the Company. This capacity is uncertain and can be made unavailable at short notice, which results in no costs being incurred by the Company. No commitments are therefore included in the above disclosure for these arrangements.

c) Guarantees and indemnities

In connection with the Centrica plc group's energy trading, transportation and upstream activities, certain Centrica plc group companies, including Centrica Energy Marketing Limited, have entered into contracts under which they may be required to prepay, provide credit support or other collateral in the event of a significant deterioration in creditworthiness. The extent of credit support is contingent upon the balance owing to the third party at the point of deterioration. In connection with Centrica plc group's corporate activities, certain Centrica plc group companies, including Centrica Energy Marketing Limited, have entered into contracts under which they recognise their support for certain security obligations granted to third parties.

20. Commitments and contingencies (continued)

d) Commodity purchase contracts
The Centrica plc group procures commodities through a mixture of production from gas fields, power stations, wind farms and procurement contracts.

Procurement contracts include short-term forward market purchases of gas and electricity at fixed and floating prices. They also include gas and electricity contracts indexed to market prices and long-term gas contracts with non-gas indexation. Further information about the Centrica plc group's procurement strategy is contained in note 23 of the Centrica plc 2014 Annual Report and Accounts.

Commodity purchase commitments entered into by the Company are estimated, on an undiscounted basis, as follows:

	2014
	£m
Within one year	1,780.2
Between one and five years	3,694.8
After five years	5,852.8
	11,327.8

21. Financial instruments
Certain procurement contracts and sales contracts constitute derivative financial instruments. These contracts are accounted for under the accrual method. Amounts payable or receivable in respect of these derivatives are recognised within cost of sales (for procurement contracts) and revenue (for sales contracts). Changes in the derivatives' fair value are not recognised until maturity.

In accordance with para 37 of Schedule 1 SI 2008/410 of the Companies Act 2006, the fair values of the Company's derivative financial instruments are analysed below. These amounts are not included in the Balance Sheet as the Company has not adopted FRS26 "Financial Instruments: Recognition and Measurement".

	2014
	£m
Financial instruments held for trading	(i)
Energy derivatives - assets	471.9
Energy derivatives - liabilities	(774.9)
Foreign exchange swaps - assets	17.7
Foreign exchange swaps - liabilities	(58.8)
	(344.1)

(i) Centrica Energy Marketing Limited has recognised an exceptional expense and onerous provision (see note 16) equivalent to the fair value of the out of the money commodity contracts purchased from British Gas Trading Limited. The equivalent fair value that would be recognised for these financial instruments as derivative financial instruments rather than an onerous provision if FRS 26 had been adopted, have been disclosed above

22. Related parties
The Company has taken advantage of the exemptions within FRS 8 "Related party disclosures" from disclosure of transactions with other wholly-owned Centrica plc Group companies. Key management personnel and their families purchase gas and electricity from the Company for domestic purposes on terms equal to those for other employees of the Group.

23. Post balance sheet events
On 2 January 2015, continuing the process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold its beneficial interest in certain contracts via back to back agreements to Centrica Energy Marketing Limited, the proceeds received from the sale were equal to the fair value of the contracts. As a result of this sale, certain commitments, previously held by British Gas Trading Limited, have also been transferred. The fair value of these contracts was £185.1m.

On 8 July 2015 the UK Government announced the removal of the Climate Change Levy (CCL) exemption for renewably sourced electricity from 1 August 2015. As a result, the Company's commitment to purchase levy exemption certificates would have been reduced from £120m to £7m.

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

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