

Registration number: 09402727

ENER-G Cogen International Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2017



ENER-G Cogen International Limited

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ENER-G Cogen International Limited

Strategic Report for the Year Ended 31 December 2017

The Directors present their strategic report for ENER-G Cogen International Limited (the 'Company') for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is to act as a holding company.

Company strategy

As a holding company, the Company's strategy is aligned with its subsidiaries who:

- Provide the highest standard of service to our customers and constantly exceed their expectations;
- Create a working environment where excellence, commitment and achievement are recognised and rewarded;
- Promote a quality-focused culture and aim to become the partner of first choice; and
- Build successful long-term income streams through successful long-term relationships with customers, suppliers and influencers.

This strategy will be achieved by working with our existing stakeholders to develop new business opportunities, both in the UK and overseas, and by continuing to support the expansion of cogeneration technologies in attractive overseas markets through our network of Cogen Partners and the international operations of the Centrica plc group (the 'Group') since the Company was acquired by Centrica plc in May 2016.

Review of the business

The Company is a private company, limited by shares whose address is at Millstream, Maidenhead Road, Windsor, Berkshire, England, SL4 5GD.

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosures Framework ('FRS 101').

During the prior period, the Company changed its annual review date to align with Centrica plc and as such is presenting current period results for the year to 31 December 2017, and prior period results for the 9 months to 31 December 2016.

The principal activity of the Company is as a holding company. The financial position of the Company is presented in the Statement of Financial Position on page 11. Total equity at 31 December 2017 was £51.41m (31 December 2016: £50.32m).

The Company has made good progress with its strategy this period and it has resulted in a profit before income tax of £1.35m (31 December 2016: £36.96m) as shown on page 9, including £nil (31 December 2016: £11.43m) profit on the disposal of an investment in a subsidiary as detailed in note 10. A dividend of £nil was paid during the year (31 December 2016: £9.0m).

All areas of the Company's investment activities are in sectors offering good potential for future growth – supported by UK, EU and worldwide policies for sustainable energy and energy efficiency. We expect to make steady progress in our selected markets as we invest in new equipment and projects.

ENER-G Cogen International Limited

Strategic Report for the Year Ended 31 December 2017 *(continued)*

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Group and are not managed separately. The principal risk and uncertainties of the Group, which include those of the Company, are disclosed on pages 52 to 62 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

Exit from the European Union

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

Key performance indicators (KPIs)

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 Company are profitability and net assets. The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 30 to 31 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

Future developments and important events after the financial year end

The Group is currently implementing the results of the 2015 strategic review. The future developments of the Group, which include those of the company, are disclosed on pages 10 and 11 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

Approved by the Board of Directors on 15th June 2018 and signed on behalf of the Board by:



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

Company registered in England and Wales, No. 09402727

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

ENER-G Cogen International Limited

Directors' Report for the Year Ended 31 December 2017

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2017.

Directors of the Company

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

A K Barlow

J M Bergman

D Winstanley

J Pikunic

I A Hopkins

R McCord

P Szabó

Results and dividends

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosures Framework ('FRS 101').

The results of the Company are set out on page 9. The profit for the financial year ended 31 December 2017 is £1.09m (December 2016: £36.39m), the prior period including £11.43m profit on the disposal of an investment in a subsidiary as part of an internal reorganisation. During the year, the Company received dividends totalling £nil (December 2016: £22.90m) and paid dividends totalling £nil (December 2016: £9.0m). The Directors do not recommend a final dividend payment in respect of the financial year ended 31 December 2017.

Future developments

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

Going Concern

The financial statements have been prepared on the going concern basis for the reasons set out in note 2 to the financial statements.

Directors' and officers' liability

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

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including risks associated with investment impairment, intercompany receivable credit risk and cash flow risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. The Company does not use derivative financial instruments for speculative purposes.

ENER-G Cogen International Limited

Directors' Report for the Year Ended 31 December 2017 *(continued)*

Financial risk management objectives and policies *(continued)*

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures where appropriate.

Interest bearing assets and liabilities are monitored closely by the Group Treasury team to ensure certainty of cash flows.

Investment impairment risk and intercompany receivable credit risk

The Company's principal assets are investments in subsidiaries. Subsidiary performance is closely monitored to ensure certainty of the carrying value of investments and intercompany receivables.

Disclosure of information to auditors

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

Reappointment of auditors

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

Approved by the Board on 15th June 2018 and signed on behalf of the Board by:



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

Company registered in England and Wales, No. 09402727

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

ENER-G Cogen International Limited

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

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

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

ENER-G Cogen International Limited

Independent Auditors' Report to the Members of ENER-G Cogen International Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ENER-G Cogen International Limited which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions related to going concern

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

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

We have nothing to report in respect of these matters.

ENER-G Cogen International Limited

Independent Auditors' Report to the Members of ENER-G Cogen International Limited *(continued)*

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ENER-G Cogen International Limited

Independent Auditors' Report to the Members of ENER-G Cogen International Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Carl Acton

Carl Acton BA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
15th June 2018

ENER-G Cogen International Limited

Income Statement for the Year Ended 31 December 2017 and the Period Ended 31 December 2016

	Note	Year Ended 31 December 2017 £ 000	Period Ended 31 December 2016 £ 000
Operating costs	4	(3)	-
Other income	5	<u>123</u>	<u>13,462</u>
Operating profit / (loss)		<u>120</u>	<u>13,462</u>
Income from shares in Group undertakings	7	-	22,900
Finance income	7	1,260	642
Finance cost	7	<u>(31)</u>	<u>(49)</u>
		<u>1,229</u>	<u>23,493</u>
Profit before income tax		1,349	36,955
Tax charge	9	<u>(260)</u>	<u>(561)</u>
Profit for the year / period from continuing operations		<u>1,089</u>	<u>36,394</u>

The notes on pages 13 to 20 form an integral part of these financial statements.

ENER-G Cogen International Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017 and the Period Ended 31 December 2016

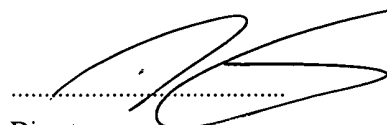
	Year Ended 31 December 2017 £ 000	Period Ended 31 December 2016 £ 000
Profit for the year / period and total comprehensive income	<u>1,089</u>	<u>36,394</u>

ENER-G Cogen International Limited

Statement of Financial Position as at 31 December 2017 and the Period Ended 31 December 2016

		Year Ended 31 December 2016 £ 000	Period Ended 31 December 2016 £ 000
	Note		
Non-current assets			
Investments	10	15,653	20,653
		<u>15,653</u>	<u>20,653</u>
Current assets			
Trade and other receivables	11	36,018	32,827
Cash and cash equivalents		-	1,038
		<u>36,018</u>	<u>33,865</u>
Total assets		<u>51,671</u>	<u>54,518</u>
Current liabilities			
Trade and other payables	12	(263)	(4,199)
		<u>(263)</u>	<u>(4,199)</u>
Total liabilities		<u>(263)</u>	<u>(4,199)</u>
Net assets		<u>51,408</u>	<u>50,319</u>
Equity			
Share capital	13	15,727	15,727
Retained earnings		<u>35,681</u>	<u>34,592</u>
Total equity		<u>51,408</u>	<u>50,319</u>

The financial statements on pages 9 to 20 were approved and authorised for issue by the Board of Directors on 15th June 2018 and signed on its behalf by:



 Director
 Company number 09402727

ENER-G Cogen International Limited

Statement of Changes in Equity for the Year Ended 31 December 2017 and the Period Ended 31 December 2016

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	15,727	34,592	50,319
Profit for the year	-	1,089	1,089
Other comprehensive income	-	-	-
Total comprehensive income	-	1,089	1,089
Dividends	-	-	-
At 31 December 2017	15,727	35,681	51,408

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 31 March 2016	15,727	7,198	22,925
Profit for the period	-	36,394	36,394
Other comprehensive income	-	-	-
Total comprehensive income	-	36,394	36,394
Dividends	-	(9,000)	(9,000)
At 31 December 2016	15,727	34,592	50,319

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1. General information

ENER-G Cogen International Limited (the 'Company') is a private company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales.

The financial statements for the current period are made up for the year from 1 January 2017 to the 31 December 2017, with the prior period representing the 9 month period from 31 March 2016 to the 31 December 2016.

These financial statements were authorised for issue by the Board on 15th June 2018.

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.

From 1 January 2017, the following amendments are effective in the Company's financial statements. Their first time adoption did not have a material impact on the financial statements:

- Amendments to IAS 12: 'Income taxes' related to the recognition of deferred tax assets for unrealised losses.

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

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

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

- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;
- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company; and
- disclosures of the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 *(continued)*

2. Accounting policies *(continued)*

Basis of preparation *(continued)*

These financial statements are presented in pound 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 under Foreign currencies.

Measurement convention

The financial statements are prepared on the historical cost basis.

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.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The Company's subsidiaries are expected to continue to generate positive cash flows on their own account for the foreseeable future.

The Directors, having assessed the responses of the directors of the Company's ultimate parent, Centrica plc, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Centrica plc, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared using the going concern basis of accounting.

Finance income

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

Dividend income

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

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.

Investments

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

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 *(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").

3. Critical accounting judgements and key sources of uncertainty

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

Critical judgements in applying the Company's accounting policies

The Directors do not believe that there are any critical judgements in applying the Company's accounting policies

Key sources of uncertainty

Due to the nature of the business, the key uncertainty surrounds the carrying value of the investment in subsidiary undertakings, and the subsequent assessment of determining if an impairment provision is required.

Market assessments of the growth opportunities, together with the full financial forecasts for each of the subsidiary undertakings are obtained and reviewed to determine the long term prospects and likely impact on the expected values of each of the subsidiaries. The value of each of the subsidiary undertakings are then reviewed against the carrying value of the investments at the end of each reporting period to determine if any impairments are required.

4. Operating costs

Operating costs represent other operating costs incurred as the normal course of business.

5. Other income	Year Ended 31 December 2017 £ 000	Period Ended 31 December 2016 £ 000
Foreign exchange gains	123	2,036
Profit on disposal of investments	-	11,426
	<u>123</u>	<u>13,462</u>

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 *(continued)*

6. Employee costs

The Company has no employees (December 2016: nil) and no Directors were remunerated by the Company during the year or in the prior period.

Directors remuneration for the year totaling £277k have been borne by other Group companies. In the prior year, total remuneration for the Directors who served during the period amounted to £624k, these costs being incurred by ENER-G Nedalo BV, ENER-G Energia Technológia Zrt and Centrica plc and it was not practicable to allocate the remuneration between their services as directors of various Group companies.

7. Net finance income

	Year Ended 31 December 2017 £ 000	Period Ended 31 December 2016 £ 000
Finance income		
Interest income from amounts owed by Group undertakings	1,260	642
Dividend income from Group undertakings	-	22,900
Total finance income	1,260	23,542
Finance costs		
Bank interest	-	(2)
Interest on amounts owed to Group undertakings	(31)	(47)
Total finance costs	(31)	(49)
Net finance income	1,229	23,493

8. Auditor's remuneration

Auditor's remuneration and non-audit fees totalling £2,500 (December 2016: £2,500) have been borne by other Group companies.

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

9. Tax

Tax charged / (credited) in the income statement:

	Year Ended 31 December 2017 £ 000	Period Ended 31 December 2016 £ 000
Current taxation		
UK corporation tax at 19.25% (December 2016: 20%)	260	526
UK corporation tax adjustment to prior periods	-	35
Total current income tax	260	561
Deferred taxation		
Arising from origination and reversal of temporary differences - UK	-	-
Arising from changes in tax rates and laws	-	-
Total deferred taxation	-	-
Tax charge / (credit) in the income statement	260	561

Factors that may affect future tax charges

The main rate of corporation tax for the year to 31 December 2017 was 19.25% (2016: 20%). The corporation tax rate will reduce to 17% with effect from 1 April 2020 following the enactment of Finance Act 2016. The deferred tax assets and liabilities included in these financial statements are based on the reduced rate of 17% having regard to their reversal profiles. These enacted rates have been reflected in these financial statements when providing for deferred tax.

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

	Year Ended 31 December 2017 £ 000	Period Ended 31 December 2016 £ 000
Profit before tax at 19.25% (2016: 20%)	1,349	36,955
Tax expense at standard UK rate	260	7,391
<i>Effects of:</i>		
Income not taxable	-	(6,865)
Adjustments in respect of previous years	-	35
Total tax credit	260	561

The Company has no recognised or unrecognised deferred tax assets or liabilities.

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

10. Investments

	Shares in Group undertakings (subsidiaries) £ 000
Cost and net book value	
At 1 January 2017	20,653
Disposals	(5,000)
At 31 December 2017	15,653

An internal reorganisation led to the transfer of ownership of 100% of the investment in ENER-G Group Inc and resulted in the Company making a profit of £nil on the disposal of its investment.

There were no impairment losses recognised in the period, and no impairment indicators identified.

The full list of direct and indirect subsidiary undertakings at the 31 December 2017 are as follows:

Name	Principal activity	Country of incorporation / registered address key	Class of shares held	Effective Shareholding (%)
ENER-G Power2 Limited	Holding company	United Kingdom ⁽¹⁾	Ordinary shares	100%
Centrica Business Solutions UK Limited	Energy management products and services	United Kingdom ⁽¹⁾	Ordinary shares	100%
Centrica Business Solutions (Generation) Limited	Energy management products and services	United Kingdom ⁽¹⁾	Ordinary shares	100%
ENER-G Energia Technológia Zrt	Energy management products and services	Hungary ⁽²⁾	Ordinary shares	100%
ENER-G Tehnologii Energetice Srl	Energy management products and services	Romania ⁽³⁾	Ordinary shares	100%
ENER-G Italia Srl	Energy management products and services	Italy ⁽⁴⁾	Ordinary shares	100%

⁽¹⁾ Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, United Kingdom

⁽²⁾ H-1106 Budapest Jaszberenyi ut 24-36, Hungary

⁽³⁾ 15-23 Bucuresti Nord Street, Windsor Building, Ground Floor, Office No.1 Voluntari, Ilfov County, Romania

⁽⁴⁾ Milan (MI), Via Emilio Cornalia 26, Italy

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11. Trade and other receivables

	Year Ended 31 December 2017		Period Ended 31 December 2016	
	Current £ 000	Non-current £ 000	Current £ 000	Non-current £ 000
Financial assets:				
Amounts owed by Group undertakings	36,018	-	32,827	-
	<u>36,018</u>	<u>-</u>	<u>32,827</u>	<u>-</u>

There are no non-financial assets in trade and other receivables at either the current period end or prior year end.

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £34,791k (2016: £32,729k) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.66 and 3.86% per annum during 2017 (2016: 3.04 and 4.04%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

12. Trade and other payables

	Year Ended 31 December 2017		Period Ended 31 December 2016	
	Current £ 000	Non-current £ 000	Current £ 000	Non-current £ 000
Financial liabilities:				
Amounts owed to Group undertakings	(263)	-	(4,111)	-
Social security and other taxes	-	-	(88)	-
	<u>(263)</u>	<u>-</u>	<u>(4,199)</u>	<u>-</u>

Financial liabilities within trade and other payables are all due within 90 days.

There are no non-financial liabilities in trade and other payables at either the current period end or prior year end.

The amounts owed to Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed to Group undertakings disclosed above is £3k (2016: £3,673k) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.66 and 3.86% per annum during 2017 (2016: 3.04 and 4.04%). The other net amounts owed to Group undertakings are interest-free. All amounts owed to Group undertakings are unsecured and repayable on demand.

13. Capital and retained earnings

Share capital

Allotted, called up and fully paid shares

	Year Ended 31 December 2017		Year Ended 31 December 2016	
	No.	£ 000	No.	£ 000
Ordinary shares of £1 each	15,726,534	15,727	15,726,534	15,727

Retained earnings

The balance classified as retained earnings includes the profits and losses realised by the Company in previous periods that were not distributed to the shareholders of the Company at the statement of financial position.

ENER-G Cogen International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (*continued*)

14. Dividends paid and proposed

	Year Ended 31 December 2017 £ 000	Year Ended 30 March 2016 £ 000
<i>Declared and paid during the period / year</i>		
Interim dividend of £nil (December 2016: £0.5723) per ordinary share	-	9,000

15. Related party transactions

The Company has claimed the exemption contained in IAS 24, which is available to wholly-owned subsidiaries, not to disclose related party transactions with other members of the Group.

16. Parent and ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales and with the same registered address as the ultimate parent undertaking.

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 financial statements, and whose registered office is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.