

Registered number: 03078711

British Gas Trading Limited

**Annual Report and Financial Statements
for the Year Ended 31 December 2013**

TUESDAY



L3BQ44WY

LD5

08/07/2014

#85

COMPANIES HOUSE

Contents

	Page
Strategic Report for the Year Ended 31 December 2013	3
Directors' Report for the Year Ended 31 December 2013	4
Independent Auditor's Report to the Members of British Gas Trading Limited	7
Profit and Loss Account for the Year Ended 31 December 2013	9
Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2013	9
Balance Sheet as at 31 December 2013	10
Notes to the Financial Statements for the Year Ended 31 December 2013	11

The Directors present the Strategic Report of British Gas Trading Limited (the Company) for the year ended 31 December 2013.

Business review

During 2013, the Centrica plc Group (the Group), and the UK energy industry as a whole, has come under increased political and media scrutiny in relation to the transparency and clarity of their financial reporting. With this backdrop, the Directors of the Company concluded that financial reporting of the Group could be improved by implementing change so that the British Gas Trading Limited business no longer includes divisions that are associated with more than one reporting segment of the Group (i.e. British Gas (being "Residential energy supply", "Residential services" and "Business energy supply and services") and Centrica Energy (being "Wholesale and industrial gas and power sales"))*. Accordingly, the Company sold the trade, net assets and unrealised commodity contracts (via back to back contractual arrangements) associated with the Centrica Energy business to a new legal entity within the Group: Centrica Energy Marketing Limited. The Company also sold the trade, net assets and unrealised commodity contracts (via back to back contractual arrangements) associated with procuring gas and power for our residential and business customers to a new specialist energy procurement legal entity within the Group: British Gas Energy Procurement Limited. These disposals completed on 31 December 2013 and further detail is provided in note 29.

British Gas Trading Limited's principal business is now to buy, and subsequently sell, gas and power to its residential and business customers. In 2014 and future periods it will procure the commodity required for its customers from British Gas Energy Procurement Limited (BGEPL) under a long term contractual supply arrangement. BGEPL will procure gas and power from the market.

The operating environment for the business in 2013 was unprecedented. Affordability has been a key concern for both residential and business customers, amplified by media and political debate ahead of the 2015 election. Against this backdrop we welcomed Government changes to the Energy Company Obligation (ECO), announced in December, which enabled us to be the first UK energy supplier to reduce retail tariffs. We have also made good progress in positioning the business for the future with further development of our digital platforms, the launch of new propositions, continued industry leadership on smart metering, and an ongoing focus on service and cost efficiency.

We strongly support the aims of the ECO programme, which is providing energy efficiency measures such as insulation to transform homes and communities across the UK, helping keep homes warm and reduce carbon emissions. The changes being made to the ECO programme, which extend the obligation period by two years to March 2017 and broaden eligibility measures, allow us to help more customers and reduce the short term impact on bills. We also completed all work under the Carbon Emissions Reduction Target (CERT) and Communities Energy Saving Programme (CESP) around the middle of 2013, later than the target date of December 2012. Overall, through these programmes, we installed 236,000 energy efficiency measures in customer homes in 2013 over half of which were for the elderly, disabled or those most in need.

It was announced by Ofgem on 26 June 2014 that the UK's energy market is to face a full investigation by the Competition and Markets Authority (CMA). We welcome the investigation as an opportunity to "clear the air", and will of course co-operate fully with the CMA throughout the course of any investigation.

* Please see note 4 of the Centrica plc 2013 ARA for segmental reporting details.

Principal risks and uncertainties

The key risks and uncertainties of the Company are political and regulatory intervention, strategic growth, exposure to movements in commodity prices and credit and liquidity risks. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed on pages 42-48 and 145-149 of the Centrica plc 2013 Annual Report and Accounts which does not form part of this report.

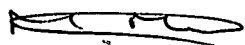
Key performance indicators (KPIs)

The Directors monitor performance of the individual business units that constitute British Gas Trading Limited. KPIs relating to these business units such as the number of customer accounts, market share, consumption volumes and operating margins are included in the Centrica plc 2013 Annual Report and Accounts on pages 180 and 181. Additionally, the Group's KPIs such as customer trust and employee engagement are also measured at the Company level and these are included at group level in the Centrica plc 2013 Annual Report and Accounts on pages 16 and 17.

Future developments

Having completed a comprehensive review of the business, our focus is on improving our core operations to enhance service and reduce costs, while driving growth through innovative proposals.

This report was approved by the board on 27 June 2014.



For and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 03078711
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2013.

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 9. The profit for the financial year ended 31 December 2013 is £567.4m (2012: profit £688.8m). Total profits in 2013 include dividends received of £0.2m (2012: £16.1m).

The Company did not pay an interim dividend during the year (2012: £nil). The Directors do not recommend the payment of a final dividend (2012: £nil).

Financial position

The financial position of the Company is presented in the Balance Sheet on page 10. Total shareholder's funds at 31 December 2013 were £4,340.0m (2012: £3,777.6m).

Financial risk management

The key risks and uncertainties of the Company are discussed in the Strategic Report.

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to commodity price risk, counterparty credit risk and liquidity risk arises in the normal course of the Company's business and is managed within parameters set by the Directors. An energy management team manages energy market price and volumetric risks.

The most significant financial risk facing the Company relates to commodity prices, in particular for gas and electricity. Commodity price risk arises as a result of contracted or forecast sales of gas and electricity not being fully matched by procurement contracts with equivalent volumes, time periods and pricing. The risk is primarily that market prices for commodities will move adversely between the times that sales prices are fixed or tariffs are set and the times at which the purchase costs are fixed, thereby potentially reducing expected margins. The Company's policy is to hedge a proportion of the exposure for a number of years ahead matched to the underlying profiles of our customer energy requirements.

Certain procurement and sales contracts constitute derivative financial instruments. The fair values of these contracts are subject to change resulting from changes in commodity prices, except for contracts which are indexed to the market price of the commodity which is the subject of the contract, and for which the price is not fixed in advance of delivery. Refer to note 24 for details.

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Exposure to credit risk arises in the normal course of operations as a result of the potential for a customer defaulting on their payable balance. In the case of business customers credit risk is managed by checking a company's creditworthiness and financial strength both before commencing to trade and during a business relationship. For residential customers, creditworthiness is ascertained normally before commencing to trade by reviewing an appropriate mix of internal and external information. Ageing of debtors is monitored and used to manage the exposure to credit risk. Management continue to recognise the potential impact from the economic downturn on existing debt and the Company maintains its program for improved credit management and cash collection processes to mitigate the bad debt risk.

Energy consumption continues to fall, driven by improved energy efficiency and changing customer behaviours as a result of greater environmental awareness, fallout from past price increases and latterly the general economic downturn. Reduced sales of gas and electricity could have a significant impact on the Company's revenues and profits over the next decade. Cash forecasts identifying the liquidity requirements of the Group are produced periodically and reviewed to ensure there is sufficient financial headroom for at least a 12 month period.

Key performance indicators (KPIs)

The key performance indicators of the Company are discussed in the Strategic Report.

Directors

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

M R Uzielli
S D R Beynon (appointed 19 December 2013)
J M Campbell (appointed 19 December 2013)
I Peters (appointed 19 December 2013)
C P A Weston (appointed 19 December 2013)
J Forster (resigned 19 April 2013)
P K Bentley (resigned 30 June 2013)
C T P Jansen (resigned 30 June 2013)
V M Hanafin (resigned 19 December 2013)
D Isenegger (resigned 19 December 2013)
A Netemeyer (resigned 19 December 2013)
H L Pijls (resigned 19 December 2013)
C J Stem (resigned 19 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 year ended 31 December 2013 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 year under review. The insurance does not provide cover in the event that the Director or officer is proved to have acted fraudulently.

Employment policies

The disclosures relating to the costs and number of employees in note 5 include all Group employees that work in the British Gas Trading Limited business regardless of whether they have a contract of employment with British Gas Trading Limited or another Group company. The Directors believe that the disclosures given on this basis are the fairest representation of the cost and number of people working in the British Gas Trading Limited business. During 2013, the Company employed an average of 13,756 people, all in the United Kingdom (2012: 14,395 people).

The Company works hard to make British Gas Trading Limited a rewarding place to work and has continued to focus on skills, development and employee engagement. Continuous learning and development is essential to ensure employees have the opportunity to fulfil their potential and are equipped to help grow the business and implement the Group strategy. The Company has talent boards, general management programmes and leadership master classes to identify and nurture high-potential managers.

The Company is committed to regular communication and consultation with employees through briefings, meetings, emails, information screens, face to face meetings with senior management, a Group-wide intranet and internal magazines and newspapers. The Company aims to create an environment in which employees are fully engaged with the business objectives.

During 2013, as planned, a Group-wide employee engagement survey was conducted. This process informs management of the collective views of employees so that engagement can be improved in the future.

The Company aims to provide an inclusive and diverse workplace and is committed to equal opportunity. Discrimination against any group is not tolerated. Full and fair consideration is given to applications for employment made by disabled people. If an employee becomes disabled, wherever possible support, retraining, equipment and facilities are offered to help them stay with the Company. In addition, policies are in place to help ensure there are fair promotion opportunities for disabled employees.

The Company encourages the retention and recruitment of older people, recognising the valuable experience they bring. Improving women's representation at all levels is also priority. The Company focuses on female leadership training, recruitment, flexible working and employee network groups.

Safety is another of the Group's core priorities. The Group continued to build on its safety culture through strong leadership and on-going programmes to raise awareness and reinforce a positive and proactive safety culture. Safety metrics are reported regularly to senior management and there were no significant process safety events in 2013.

The Company's business principles and policies set out standards of behaviour expected of its employees in conducting business in an ethical way. The Group, to which British Gas Trading Limited belongs, encourages employee share ownership by operating tax authority-approved share schemes open to all eligible employees, including executive directors.

Political donations

The Company made no political donations during the year (2012: £nil).

Statement of directors' responsibilities

The Directors are responsible for preparing the 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 year. 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;
- 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.

Directors' Report for the Year Ended 31 December 2013 (continued)

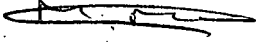
Disclosure of information to auditors

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 27 June 2014.



For and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 03078711
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by British Gas Trading Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and Loss Account for the year then ended;
- the Statement of Total Recognised Gains and Losses; 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (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.

In addition, we read all the financial and non-financial information in the Strategic Report, Director's report and financial statements 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.

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 year 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 5, 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 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.

Charles Bowman (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

27 June 2014

Profit and Loss Account for the Year Ended 31 December 2013

		2013			2012		
	Note	Continuing operations £m	Dis-continued operations £m (i)	Total £m	Continuing operations £m	Dis-continued operations £m (i)	Total £m
Turnover	2	12,351.8	2,963.7	15,315.5	12,013.5	2,341.8	14,355.3
Cost of sales		(10,431.8)	(2,877.6)	(13,309.4)	(10,077.5)	(2,238.5)	(12,316.0)
Gross profit		1,920.0	86.1	2,006.1	1,936.0	103.3	2,039.3
Administrative expenses before exceptional items		(1,146.0)	(64.2)	(1,210.2)	(1,131.7)	(62.0)	(1,193.7)
Exceptional items	3	-	-	-	(82.6)	(8.6)	(91.2)
Administrative expenses		(1,146.0)	(64.2)	(1,210.2)	(1,214.3)	(70.6)	(1,284.9)
Operating profit	4	774.0	21.9	795.9	721.7	32.7	754.4
Income from fixed asset investments	6			0.2			16.1
Loss on disposal of discontinued operations (i)	29			(205.5)			-
Profit on ordinary activities before interest and taxation				590.6			770.5
Interest receivable and similar income	7			97.0			71.0
Interest payable and similar charges	7			(10.0)			(8.9)
Other finance income				23.6			16.6
Profit on ordinary activities before taxation				701.2			849.2
Tax on profit on ordinary activities	8			(133.8)			(160.4)
Profit for the financial year	21			567.4			688.8

(i) Refer to note 1

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

Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2013

		2013 £m	2012 £m
Profit for the financial year	21	567.4	688.8
Net actuarial losses on defined benefit pension schemes	18	(31.1)	(118.8)
Taxation on net actuarial losses on defined benefit pension schemes	14	8.6	28.7
Total recognised gains relating to the year		544.9	598.7

The notes on pages 11 to 29 form part of these financial statements.

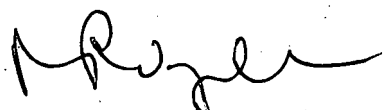
British Gas Trading Limited

Balance Sheet as at 31 December 2013

	Note	2013 £m	2012 £m
Fixed assets			
Intangible assets	9	60.1	187.7
Tangible assets	10	600.4	502.9
Investments - shares in undertakings	11	1,249.1	1,256.0
		<u>1,909.6</u>	<u>1,946.6</u>
Current assets			
Stocks	12	26.9	185.2
Debtors (including £nil (2012: £13.1m) due after one year)	13	5,110.1	4,530.1
Cash at bank and in hand	15	54.5	78.6
		<u>5,191.5</u>	<u>4,793.9</u>
Creditors (amounts falling due within one year)	16	(2,799.3)	(2,779.1)
Net current assets		<u>2,392.2</u>	<u>2,014.8</u>
Total assets less current liabilities		4,301.8	3,961.4
Creditors (amounts falling due after more than one year)	16	(10.2)	(3.3)
Provisions for liabilities	17	(104.1)	(241.2)
Net assets excluding pension assets / (liabilities)		<u>4,187.5</u>	<u>3,716.9</u>
Defined benefit pension assets	18	152.5	62.6
Defined benefit pension liabilities	18	-	(1.9)
Net assets including pension assets / (liabilities)		<u>4,340.0</u>	<u>3,777.6</u>
Capital and reserves			
Called up share capital	19	800.0	800.0
Share premium account	21	447.2	447.2
Profit and loss account	21	3,092.8	2,530.4
Total shareholder's funds	22	<u>4,340.0</u>	<u>3,777.6</u>

The notes on pages 11 to 29 form part of these financial statements.

The financial statements on pages 9 to 29 were approved and authorised for issue by the Board of Directors on 27 June 2014.



M R Uzielli
Director
Company number 03078711

1. Principal accounting policies

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

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with United Kingdom Accounting Standards and the Companies Act 2006.

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; within FRS 2, "Accounting for subsidiary undertakings" and s400 of the Companies Act 2006, from consolidating its subsidiary undertakings and incorporating the results of its share of joint ventures and associates; and within FRS 8, "Related party disclosures", from disclosing transactions with other wholly-owned group companies.

On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold the trade, net assets and unrealised commodity contracts (via back to back contractual arrangements) associated with the Centrica Energy business to a new legal entity within the Group: Centrica Energy Marketing Limited. The Company also sold the trade, net assets and unrealised commodity contracts (via back to back contractual arrangements) associated with procuring gas and power for our residential and business customers to a new specialist energy procurement legal entity within the Group: British Gas Energy Procurement Limited. These disposals completed on 31 December 2013 and further detail is provided in note 29.

Critical accounting judgements and key sources of estimation uncertainty

(a) Critical judgements in applying the Company's accounting policies

Management has made the following key judgements in applying the Company's accounting policies that have the most significant effect on the Company's Financial Statements.

(i) Energy Company Obligation

The Energy Company Obligation (ECO) order requires UK-licensed energy suppliers to improve the energy efficiency of domestic households from 1 January 2013. Targets are set in proportion to the size of historic customer bases and must be delivered by 31 March 2015. The Company continues to judge that it is not legally obligated by this order until 31 March 2015. Accordingly, the costs of delivery are recognised as incurred, when cash is spent or unilateral commitments made resulting in obligations that cannot be avoided.

During the year the Company has entered into a number of contractual arrangements and commitments and issued a public statement to underline its commitment to deliver a specific proportion of the ECO requirements. Consequently the Company's result includes the costs of these contractual arrangements and commitment obligations.

The Government has recently announced a likely extension to the ECO delivery period up to 2017 with other potential changes to the obligations. Further legislation is expected in 2014 and the Company will judge the impact when more details become available.

(ii) Metering contracts

The Department of Energy and Climate Change (DECC) has modified the UK gas and electricity supply licences requiring all domestic premises to be fitted with compliant smart meters for measuring energy consumption by 31 December 2020. The Company has a number of existing rental contracts for non-compliant meters that include penalty charges if these meters are removed from use before the end of their deemed useful lives. The Company considers that these contracts are not onerous until the meters have been physically removed from use and therefore only recognises a provision at this point. As part of the smart meter rollout, the Company has entered into new meter rental arrangements with third parties. The Company judges these are not leases because it does not have the right to physically or operationally control the smart meters and other parties take a significant amount of the output from the assets.

(b) 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.

(i) Revenue recognition - unread gas and electricity meters

Revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread). Unread gas and electricity comprises both billed and unbilled revenue. It is estimated through the billing systems, using historical consumption patterns, on a customer by customer basis, taking into account weather patterns, load forecasts and the differences between actual meter reads being returned and system estimates. Actual meter reads continue to be compared to system estimates between the balance sheet date and the finalisation of the financial statements. An assessment is also made of any factors that are likely to materially affect the ultimate economic benefits which will flow to the Company, including bill cancellation and re-bill rates. To the extent that the economic benefits are not expected to flow to the Company, the value of that revenue is not recognised. The judgements applied, and the assumptions underpinning these judgements, are considered to be appropriate. However, a change in these assumptions would have an impact on the amount of the revenue recognised.

(ii) Industry reconciliation process - cost of sales

The industry reconciliation procedures are required as differences arise between the estimated quantity of gas and electricity the Company deems to have supplied and billed customers, and the estimated quantity the industry system operators deem the individual suppliers, including the Company, to have supplied to customers. The difference in deemed supply is referred to as imbalance. The reconciliation procedures can result in either a higher or lower value of industry deemed supply than has been estimated as being supplied to customers by the Company, but in practice tends to result in a higher value of deemed supply. The Company then reviews the difference to ascertain whether there is evidence that its estimate of amounts supplied to customers is inaccurate or whether the difference arises from other causes. The Company's share of the resulting imbalance is included within commodity costs charged to cost of sales. Management estimates the level of recovery of imbalance which will be achieved either through subsequent customer billing or through the developing industry settlement procedures.

1. Principal accounting policies (continued)**(iii) Recoverability of trade receivables**

Provision for uncollectible trade receivables is made when there is objective evidence that the Company may not be able to collect the trade receivable. Receivables from residential and business customers are generally considered to be fully performing until such time as the payment that is due remains outstanding past the contractual due date. Contractual due dates range from falling due upon receipt to falling due in 30 days. Collectability of receivables from residential customers are generally reviewed on an individual basis once a customer discontinues their relationship with the Company. The provision for uncollectible trade receivables is based on an incurred loss model and is determined by application of expected default and loss factors, determined by historical loss experience and current sampling to the various balances receivable from residential and business customers on a portfolio basis, in addition to provisions taken against individual accounts. Balances are written off when recoverability is assessed as being remote.

(iv) Provisions for onerous contracts - 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 may be necessary to achieve security of supply in the future. Therefore no provision has been recognised relating to these latter contracts.

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. Turnover is recognised on the basis of energy supplied or delivered during the year. Turnover for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread). Unread gas and electricity is estimated using historical consumption patterns, taking into account the industry reconciliation process for total gas and total electricity usage by supplier, and is included in accrued energy income within debtors. All turnover arises in the United Kingdom.

Gas and power purchases and sales entered into to optimise the performance of gas production facilities and power generation facilities are presented net within revenue.

Cost of sales

Cost of sales includes the cost of gas and electricity purchased during the year taking into account the industry reconciliation process for total gas and total electricity usage by supplier, and related transportation, distribution, royalty costs and bought-in materials and services.

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.

Employee share schemes

The Company accounts for share-based payments under FRS 20 "Share based payments". The Centrica plc group, to which British Gas Trading Limited belongs, has a number of employee share schemes, detailed in the Remuneration Report on pages 65-82 and in note S2 of the Centrica plc 2013 Annual Report and Accounts, under which it makes equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non-market-based vesting conditions). The fair value determined at the grant date is expensed on a straight-line basis together with a corresponding increase in equity over the vesting period, based on the Centrica plc group's estimate of the number of awards that will vest, and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using methods appropriate to each of the different schemes as follows:

LTIS: TSR award	A Monte Carlo simulation to predict the total shareholder return performance
Sharesave	Black-Scholes
SAS and DMSS	Market value on the date of grant

Foreign currencies

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 year. 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.

1. Principal accounting policies (continued)**Goodwill**

Goodwill arising on the acquisition of a business is included in the Balance Sheet at cost, less accumulated amortisation and any provisions for impairment. On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. Goodwill, which represents the difference between the purchase consideration and the fair values of those net assets, is capitalised and amortised on a straight-line basis over a period, which represents the directors' estimate of its useful economic life. Goodwill is being amortised over periods ranging from 10 to 20 years. If an undertaking is subsequently sold, the appropriate unamortised goodwill or goodwill written off to reserves is recognised through the Profit and Loss account in the period of disposal as part of the gain or loss on disposal.

Acquisitions of a business from another group company are recorded using the principles of merger accounting prospectively from the date of the transaction. Where the business is transferred from a subsidiary company, the investment in subsidiary has been reclassified to goodwill since the Company has suffered no loss of value as a result of the business transfer.

EU Emissions Trading Scheme (EU ETS) and Renewable Obligations Certificates (ROCs)

Granted EU ETS emissions allowances received in a period are recognised initially at nominal value (nil value). Purchased EU ETS emissions allowances are recognised initially at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date, with movements in the liability recognised in operating profit.

Purchased ROCs are recognised initially at cost within intangible assets. A liability for the renewables obligation is recognised based on the level of electricity supplied to customers, and is calculated in accordance with percentages set by the UK Government and the renewable obligation certificate buyout price for that period.

For both the EU ETS and ROC schemes, the intangible asset is surrendered and the liability is utilised at the end of the compliance period to reflect the consumption of economic benefits. As a result no amortisation is recorded during the period. Impairment of intangible assets is recognised in cost of sales. Any recycling benefit related to the submission of ROCs is recognised in the Profit and Loss account when received.

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, for example investments in customer relationship management and billing systems, cost includes contractors' charges, materials, directly attributable labour and directly attributable overheads. 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 and financial 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.

The value in use calculations use pre-tax cash flow projections based on the Centrica plc group's Board-approved three-year business plans. The business plans are based on past experience, and adjusted to reflect market trends, economic conditions, key risks, the implementation of strategic objectives and changes in commodity prices, as appropriate. Cash flows are discounted using a pre-tax discount rate specific to each cash-generating unit to determine the cash-generating unit's value in use. The pre-tax discount rate used in 2013 was 7.4% (2012: 7.5%).

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.

Investments

Fixed asset investments are included in the Balance Sheet at cost, less any provisions for impairment as necessary

Stocks

Stocks, excluding stocks of gas and oil and Levy Exemption Certificates (LECs), are valued on a weighted average cost basis, at the lower of cost or estimated net realisable value after allowance for redundant and slow moving items. Stocks of gas and oil are valued on a weighted average basis, at the lower of cost and estimated net realisable value. See also policy on LECs and CERT and CESP below.

1. Principal accounting policies (continued)

Levy Exemption Certificates (LECs)

LECs are sold to certain business customers in order for them to save Climate Change Levy (CCL), which was introduced in the UK following the signing of the Kyoto Protocol. LECs are held on the balance sheet as stock, to the extent more have been purchased than have been sold on to customers. LECs are held at the lower of cost and net realisable value. The cost of purchasing LECs is recognised in cost of sales when sold to the customer.

Carbon Emissions Reduction Target (CERT) and Communities Energy Saving Programme (CESP)

UK-licensed energy suppliers were set a CERT by the Government which was proportional to the size of their customer base. The CERT programme ran from April 2008 to December 2012. UK licensed energy suppliers and electricity generators were also required to contribute to the CESP by the Government in proportion to the size of their customer base and also the amount of electricity they generate. The CESP programme ran from October 2009 to December 2012.

The targets and contributions were subject to an annual adjustment throughout the programme period to take account of changes in the energy supplier's customer base and amount of electricity generated. Energy suppliers and generators could meet the target through expenditure on qualifying projects which give rise to carbon savings. The carbon savings could be transferred between energy suppliers and generators.

The Company charges the cost of the programmes to cost of sales with a provision recognised where there is a deficit of relevant credits held compared to the sub-target obligations accrued and capitalises on the Balance Sheet if in surplus.

Take-or-pay contracts

Where payments are made to external 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.

Pensions

The Company's employees participate in a number of the Group's defined benefit pension schemes. The total Group cost of providing benefits under defined benefit schemes is determined separately for each of the Group's schemes under the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur. The key assumptions used for the actuarial valuation are based on the Group's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in note 22 of the Centrica plc 2013 Annual Report and Accounts.

The Company's share of the total Group surplus or deficit at the end of the reporting period for each scheme is calculated in proportion to the Company's share of ordinary employer contributions in to that scheme during the year; ordinary employer contributions are determined by the pensionable pay of the Company's employees within the scheme and the cash contribution rates set by the scheme trustees. Current service cost is calculated with reference to the pensionable pay of the Company's employees. The Company's share of the total Group interest on scheme liabilities, expected return on scheme assets and actuarial gains or losses is calculated in proportion to ordinary employer contributions in the prior accounting period. Changes in the surplus or deficit arising as a result of the changes in the Company's share of total ordinary employer contributions are also treated as actuarial gains or losses.

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.

Dividend income

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

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 24.

2. Turnover

All turnover arose in the United Kingdom.

	2013 £m	2012 £m
Residential energy supply	9,359.0	9,004.5
Residential services	130.2	150.0
Business energy supply and services	2,862.6	2,859.0
	<u>12,351.8</u>	<u>12,013.5</u>
Wholesale and industrial gas and power sales	2,963.7	2,341.8
	<u>15,315.5</u>	<u>14,355.3</u>

3. Exceptional items

	2013 £m	2012 £m
Restructuring charges (i)	-	91.2
Loss on disposal of discontinued operations (ii)	205.5	-
Exceptional expenses	<u>205.5</u>	<u>91.2</u>

(i) In the prior year, as a result of a Company-wide cost reduction programme leading to staff redundancies, exceptional restructuring charges of £91.2m were recorded with no equivalent charges being incurred in the current year. In 2012 the exceptional charge included asset impairments of £35.8m.

(ii) 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 two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. As a result of this sale, the difference between the consideration and the book values of these assets and liabilities has been recognised as a loss on disposal upon transfer. The loss recognised is equivalent to the fair value of commodity contracts disposed which were not held on the balance sheet due to the Company not having adopted FRS 26 or FRS 29. Refer to note 29.

4. Operating profit

Operating profit is stated after charging:	Note	2013 £m	2012 £m
Amortisation of goodwill	9	8.9	8.8
Impairment of emissions allowances	9	8.8	5.8
Impairment of tangible assets		-	42.3
Impairment - investments	11	4.2	1.7
Depreciation:			
Owned tangible fixed assets	10	78.0	52.2
Operating lease rentals:			
Vehicles		11.2	11.2
Tolling		69.0	-
Renewables - contingent rentals		12.6	2.7
Auditors' remuneration:			
Statutory audit		<u>0.9</u>	<u>0.9</u>

Auditors' remuneration totalling £0.9m (2012: £0.9m) relates to fees for the audit of the 2013 UK GAAP financial statements of British Gas Trading 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 £0.4m (2012: £0.3m) in relation to non-audit work in respect of the Company has been fully borne by Centrica plc.

5. Directors and employees**Average number of employees during the year**

The disclosures in this note reflect the costs and number of all Centrica plc Group employees that work in the British Gas Trading Limited business regardless of whether they have a contract of employment with British Gas Trading Limited or another Group company. The Directors believe that the disclosures given on this basis are the fairest representation of the cost and number of people working in the British Gas Trading Limited business.

The average monthly number of employees, all employed in the United Kingdom, during the year was 13,756 (2012: 14,395). All employees were administrative and sales staff.

	2013 £m	2012 £m
Employee costs		
Wages and salaries	502.5	499.0
Social security costs	55.6	51.6
Other pension costs	51.7	31.7
Share scheme costs	17.5	11.9
	<u>627.3</u>	<u>594.2</u>

Directors' emoluments

The aggregate emoluments paid to directors in respect of their qualifying services were £1.4m (2012: £1.6m). The aggregate value of Company contributions paid to a pension scheme in respect of directors' qualifying services was £0.1m (2012: £0.1m).

There were 7 directors (2012: 7) to whom retirement benefits are accruing under a defined benefit pension scheme and 4 directors (2012: 2) to whom retirement benefits are accruing under money purchase pension schemes.

There were 5 directors (2012: 4) who exercised share options relating to the ultimate parent company and 10 directors (2012: 9) 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 £0.3m for services to the Company (2012: £0.3m) and the Company contributed £36k (2012: £7k) to their pension scheme. The highest paid director is accruing benefits under a defined benefit pension scheme, the accrued value at the balance sheet date was £14k (2012: £12k). In both the current and prior year the highest paid director received shares in respect of qualifying services under a long-term incentive scheme. In the current year options were exercised by the highest paid director (2012: the highest paid director did not exercise share options).

Until their respective resignations from Directorship of the Company on 30 June 2013 and 19 December 2013, P K Bentley and V M Hanafin were also directors of Centrica plc, the ultimate parent company. Their emoluments and pension contributions in respect of their services to British Gas Trading Limited are £nil (2012: £nil). Details of their overall remuneration are included in the 2013 Centrica plc Annual Report and Accounts on pages 65 to 82.

6. Income from fixed asset investments

	2013 £m	2012 £m
Dividends received from group undertakings	-	14.9
Dividends received from other investments	0.2	1.2
	<u>0.2</u>	<u>16.1</u>

No dividends were received from British Gas Direct Employment Limited in 2013 (2012: £14.9m).

Dividend income of £0.2m was received from an investment in a carbon fund and managed account (2012: £1.2m).

7. Net interest

	2013 £m	2012 £m
Interest receivable and similar income		
Interest receivable from Group undertakings	84.8	59.5
Other interest receivable	12.2	11.5
	<u>97.0</u>	<u>71.0</u>
Interest payable and similar charges		
Notional interest arising on discounted items	(6.4)	(6.5)
Other interest payable	(3.6)	(2.4)
	<u>(10.0)</u>	<u>(8.9)</u>
Net interest receivable	<u>87.0</u>	<u>62.1</u>

8. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2013 £m	2012 £m
The tax charge comprises:		
Current tax		
United Kingdom corporation tax at 23.25% (2012: 24.5%)	125.7	162.7
Adjustments in respect of prior years	(32.2)	(26.2)
Total current tax	<u>93.5</u>	<u>136.5</u>
Deferred tax		
Effect of change to deferred tax rate	(8.4)	(2.6)
Origination and reversal of timing differences	47.4	12.7
Adjustments in respect of prior years	1.3	13.8
Tax on profit on ordinary activities	<u>133.8</u>	<u>160.4</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from that calculated at the standard rate of corporation tax in the UK 23.25% (2012: 24.5%). The differences are explained below:

	2013 £m	2012 £m
Profit on ordinary activities before tax	701.2	849.2
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.25% (2012: 24.5%)	163.0	208.1
Effects of		
Expenses not deductible for tax purposes	3.1	10.1
Dividend income not taxable	(0.1)	(4.3)
Depreciation (less than)/in excess of capital allowances	(4.1)	1.5
Utilisation of timing differences	(36.2)	(16.3)
Group relief for nil consideration	-	(38.9)
UK:UK transfer pricing adjustments	-	2.5
Adjustments in respect of prior years	(32.2)	(26.2)
Current tax charge for the year	<u>93.5</u>	<u>136.5</u>

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. Further reductions to reduce the rate to 21% from 1 April 2014 and to 20% by 1 April 2015 were substantively enacted in Finance Act 2013 on 2 July 2013 and have been reflected within these financial statements.

9. Intangible fixed assets

	Goodwill £m	Emission allowances and renewable obligation certificates £m	Total £m
Cost			
1 January 2013	138.3	124.4	262.7
Additions	-	363.6	363.6
Disposals (i)	-	(488.0)	(488.0)
At 31 December 2013	138.3	-	138.3
Accumulated amortisation			
1 January 2013	(69.3)	(5.7)	(75.0)
Impairment recognised in cost of sales (ii)	-	(8.8)	(8.8)
Charge in the year (note 4)	(8.9)	-	(8.9)
Disposals (i)	-	14.5	14.5
At 31 December 2013	(78.2)	-	(78.2)
Net book value			
At 31 December 2013	60.1	-	60.1
As at 31 December 2012	69.0	118.7	187.7

Goodwill arose as part of the following acquisitions:

	Year of acquisition	Economic life	Original cost £m	Carrying amount £m
Trade and assets of Enron Direct	2001	15	57.0	11.1
Gas customers and gas supply agreements from Total Fina Elf	2005	20	8.7	5.2
Trade and assets of Electricity Direct (UK) Limited	2005	15	24.9	11.6
Gas customers and gas supply agreements from Total Fina Elf	2006	20	34.7	21.7
ECL Investments Limited and ECL Contracts Limited	2011	10	5.5	4.4
Hillserv Limited	2011	10	6.5	5.2
British Gas Direct Employment Limited	2012	10	1.0	0.9
			138.3	60.1

(i) On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold its emission allowances and renewable obligation certificates to Centrica Energy Marketing Limited and British Gas Energy Procurement Limited. Included in disposals are emission allowances and renewable obligation certificates with NBV of £14.4m sold to Centrica Energy Marketing Limited and emission allowances and renewable obligation certificates with NBV of £122.7m sold to British Gas Energy Procurement Limited. Refer to note 29 for further details.

(ii) An £8.8m (2012: £5.8m) impairment of emissions allowances was recognised within cost of sales to reflect a reduction in fair value (less costs to sell) as a result of a decrease in market prices. This was offset by a reduction in the obligation related to emission allowances of £8.8m (2012: £5.8m) to give a net effect on the profit and loss account of £nil (2012: £nil).

10. Tangible fixed assets

	Software £m	Plant, equipment and vehicles £m	Total £m
Cost			
1 January 2013	933.3	159.2	1,092.5
Additions	218.5	41.3	259.8
Disposals (i)	(120.6)	(6.5)	(127.1)
At 31 December 2013	1,031.2	194.0	1,225.2
Accumulated depreciation			
1 January 2013	(504.5)	(85.1)	(589.6)
Charge for the year	(59.2)	(18.8)	(78.0)
Disposals (i)	40.7	2.1	42.8
At 31 December 2013	(523.0)	(101.8)	(624.8)
Net book value			
At 31 December 2013	508.2	92.2	600.4
At 31 December 2012	428.8	74.1	502.9

(i) On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold certain software, plant, equipment and vehicles to Centrica Energy Marketing Limited. Included in disposals are software, plant, equipment and vehicles with NBV of £82.1m sold to Centrica Energy Marketing Limited. Refer to note 29 for further details.

11. Fixed asset investments – shares in undertakings

Cost and net book value	Shares in undertakings £m
At 1 January 2013	1,256.0
Additions	0.7
Impairment	(4.2)
Disposal (i)	(3.4)
At 31 December 2013	1,249.1

(i) On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold its investment in a carbon fund and managed account which is managed through a closed-end limited partnership called Climate Change Capital to British Gas Energy Procurement Limited. Refer to note 29 for further details

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

At 31 December 2013 the Company had interests in the issued share capital of the subsidiary undertakings listed below:

Subsidiary undertaking	Business	Country of incorporation	Proportion of nominal value of shares held
British Gas Direct Employment Limited	Dormant	United Kingdom	100%
British Gas Energy Procurement Limited	Energy Procurement	United Kingdom	100%
ECL Investments Limited	Dormant	United Kingdom	100%
ECL Contracts Limited	Dormant	United Kingdom	100%
Electricity Direct (UK) Limited	Dormant	United Kingdom	100%
Hillserve Limited	Dormant	United Kingdom	100%
Hydrocarbon Resources Limited	Gas Production	United Kingdom	100%

11. Fixed asset investments – shares in undertakings (continued)

At 31 December 2013 the Company had interests in the issued share capital of the joint venture listed below:

Joint venture	Business	Country of incorporation	Proportion of nominal value of shares held
Fairfield Bio Energy Ltd	Renewable energy	United Kingdom	50%

On 6 March 2013 the Company invested £100 in each of Finance Scotland CEPS Limited Partnership, Finance Scotland CPP Limited Partnership and Finance Scotland CPS Limited Partnership, all registered in Scotland. The Company also continues to hold its £100 investment in Centrica Finance Limited Partnership registered in Scotland.

12. Stocks

	2013 £m (i)	2012 £m
Gas in storage	-	146.7
Other raw materials and consumables	24.9	14.6
Certificates held in stock	2.0	23.9
	<u>26.9</u>	<u>185.2</u>

(i) On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold all gas in storage to Centrica Energy Marketing Limited and certain other stock balances to British Gas Energy Procurement Limited. Refer to note 29 for further details.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13. Debtors

	2013 Within one year £m (i)	2013 After more than one year £m	2012 Within one year £m	2012 After more than one year £m
Trade debtors	971.7	-	976.7	-
Accrued energy income	911.4	-	1,011.0	-
Amounts owed by group undertakings	2,970.5	-	2,244.6	-
Other debtors	204.9	-	175.2	-
Prepayments and other accrued income	51.6	-	109.5	13.1
	<u>5,110.1</u>	<u>-</u>	<u>4,517.0</u>	<u>13.1</u>
Total due within one year and due after one year		<u>5,110.1</u>		<u>4,530.1</u>

(i) On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold certain debtor balances to Centrica Energy Marketing Limited and British Gas Energy Procurement Limited.

The amounts owed by Group undertakings include £1,291.0m (2012: £1,714.7m) from Centrica plc which is interest-bearing; this is off-set by £179.1m non-interest bearing amount payable (2012: £266.2m) due to Centrica plc. Of the remaining amounts owed by Group undertakings £3.1m (2012: £3.1m) is interest bearing. Interest is calculated using a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 2.34% and 3.19% per annum during 2013 (2012: 3.28% and 3.51%). Interest owed by group undertakings was £nil (2012: £nil). These balances are unsecured and payable on demand.

On 11 December 2013 a further loan of £1,450.0m was made to Centrica Holdings Limited. This is in addition to the loan of £700.0m made on 21 December 2012 to Centrica Holdings Limited. The loans are subject to interest at a quarterly interest rate determined by Group Treasury and linked to the Group cost of funds (see above) and are repayable on demand.

The remaining amounts included in Group undertakings are interest-free, unsecured and repayable on demand.

14. Deferred taxation

	At 1 January 2013 £m	Profit and loss charge/(credit) £m	Statement of Total Recognised Gains and Losses charge/(credit) £m	At 31 December 2013 £m
Deferred corporation tax				
- accelerated capital allowances	23.7	0.1	-	23.8
- other timing differences	(20.1)	11.6	-	(8.5)
Deferred tax (asset)/liability	3.6	11.7	-	15.3
Deferred tax liability on net pension asset	18.1	28.6	(8.6)	38.1
Provision at end of year (i)	21.7	40.3	(8.6)	53.4

There are no amounts of unrecognised deferred tax (2012: £nil).

(i) Including deferred tax on net pension asset.

15. Cash at bank and in hand

	2013 £m	2012 £m
Cash at bank and in hand	54.5	78.6

16. Creditors

	2013 Amounts falling due within one year £m (i)	2013 Amounts falling due after more than one year £m	2012 Amounts falling due within one year £m (ii)	2012 Amounts falling due after more than one year £m
Bank loans and overdrafts	36.9	-	63.7	-
Trade creditors	115.2	-	857.8	-
Amounts owed to group undertakings	930.9	-	317.3	-
Taxation and social security	145.7	-	91.7	-
Other creditors	491.4	-	485.7	-
Accruals and deferred income:				
Transportation	273.8	-	192.3	-
Other accruals and deferred income	805.4	10.2	770.6	3.3
	2,799.3	10.2	2,779.1	3.3

(i) On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold certain creditor balances to Centrica Energy Marketing Limited and British Gas Energy Procurement Limited.

(ii) The amounts falling due within one year for the 2012 comparative period have been restated. Deferred income of £263m previously reported in other creditors is now included in other accruals and deferred income.

The Company's bank overdraft at the year end is unsecured. Centrica plc's treasury department pools funds daily and via intercompany accounts. All interest charges payable on the bank overdraft during the year are borne by the parent undertaking.

Within the amounts owed to Group undertakings is £92.8m (2012: £97.7m) which is interest-bearing. Interest is calculated using a quarterly rate determined by Group Treasury and linked to the cost of funds. The quarterly rates ranged between 2.34% and 3.19% (2012: 3.28% and 3.51%). The other amounts owed to Group undertakings are interest-free. All amounts owed to Group undertakings are unsecured and repayable on demand.

17. Provisions for liabilities

	At 1 January 2013 £m	Unused and reversed £m	Profit and loss charge £m	Notional interest £m	Utilised £m	Transfers £m	Disposals £m	At 31 December 2013 £m
							(ii)	
Sales contract loss provision	45.3	(18.1)	-	2.3	-	-	(29.5)	-
Renegotiation provision	26.6	-	-	-	-	-	(26.6)	-
Restructuring costs	65.8	(0.3)	2.2	-	(31.8)	(4.5)	(4.7)	26.7
Purchase contract loss provision	1.6	(1.6)	0.9	-	-	-	(0.9)	-
European capacity contract provision	92.5	-	-	4.1	(22.8)	-	(73.8)	-
Deferred tax (i) (note 14)	3.6	-	11.7	-	-	-	-	15.3
Other	5.8	-	38.7	-	(1.3)	18.9	-	62.1
	241.2	(20.0)	53.5	6.4	(55.9)	14.4	(135.5)	104.1

(i) Excluding deferred tax on pension asset (see note 18).

(ii) As discussed in the Strategic Report, on 31 December 2013 the entity sold the beneficial interest in certain contracts to fellow subsidiaries within the Centrica plc group. Provisions for liabilities associated with the contracts were also disposed of at the same date.

Sales contract loss provision

The sales contract loss provision represents the net present cost, using a risk free discount rate, of expected losses on onerous long-term sales contracts based on the difference between contracted sales prices and the least cost of gas available on a stacked, contract by contract basis. The provision was disposed of on 31 December 2013.

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. The provision was disposed of on 31 December 2013.

Restructuring costs

The provision predominantly represents business restructuring costs in relation to a contract termination and associated transition of activities to other third party suppliers and a restructuring provision relating to cost reduction programmes. Utilisation is expected within one year.

Purchase contract loss provision

The purchase 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 brought forward purchase contract loss provision relates to onerous gas storage contracts and onerous power station tolling agreements between the Company and other Group undertakings and was utilised during the year. The provision arising during the year was disposed of on 31 December 2013.

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 may be necessary to achieve security of supply in the future. Therefore no provision has been recognised relating to these latter contracts. The provision was disposed of on 31 December 2013.

Other

The other provision includes, at 31 December 2013, £7.5m in relation to employer's national insurance charges expected to arise at exercise dates on employee share schemes, £40.0m in relation to legal claims, £9.7m in relation to SMART metering costs and £4.9m in relation to an onerous contract.

18. Pensions**(a) Summary of main schemes**

The Company's employees participate in the following defined benefit pension schemes: Centrica Pension Plan (CPP), Centrica Pension Scheme (CPS), Centrica Engineers Pension Scheme (CEPS) and Centrica Unfunded Pension Scheme (CUPS). Its employees also participate in the defined contribution section of the Centrica Pension Scheme. Information on these schemes is provided in note 22 of the Centrica plc 2013 Annual Report and Accounts.

The CPP, CPS and CEPS form the majority of the Company's defined benefit obligation and are referred to below and in the Centrica plc 2013 Annual Report and Accounts as the 'Registered Pension Schemes'.

(b) Accounting assumptions

The accounting assumptions for the Registered Pension Schemes are provided in note 22 of the Centrica plc 2013 Annual Report and Accounts.

(c) Movement in the year

	2013 Pension liabilities £m	2013 Pension assets £m	2012 Pension liabilities £m	2012 Pension assets £m
1 January	(1,795.7)	1,874.5	(1,440.0)	1,572.4
Items included in the Profit and Loss account:				
Current service cost	(32.4)	-	(23.2)	-
Loss on curtailment	(0.8)	-	-	-
Interest on scheme liabilities	(85.7)	-	(77.4)	-
Expected return on scheme assets	-	109.3	-	94.0
Other movements:				
Actuarial (loss) / gain	(181.2)	150.1	(292.0)	173.2
Employer contributions	-	159.9	-	83.1
Plan participants' contributions	(2.0)	2.0	(7.6)	7.6
Benefits paid from schemes	48.6	(48.6)	55.8	(55.8)
Transfers from provisions for liabilities	(7.4)	-	(11.3)	-
31 December	<u>(2,056.6)</u>	<u>2,247.2</u>	<u>(1,795.7)</u>	<u>1,874.5</u>

	2013 £m	2012 £m
Net pension surplus	190.6	78.8
Related deferred tax liability	(38.1)	(18.1)
Net pension surplus after deferred tax	<u>152.5</u>	<u>60.7</u>
Presented in the balance sheet as:		
Defined benefit pension assets	152.5	62.6
Defined benefit pension liabilities	-	(1.9)
	<u>152.5</u>	<u>60.7</u>

(d) Analysis of the actuarial (losses) / gains recognised in the Statement of Total Recognised Gains and Losses

	2013 £m	2012 £m
Actuarial gain (actual return less expected return on pension scheme assets)	150.1	173.2
Experience gain arising on the scheme liabilities	5.3	10.8
Changes in assumptions underlying the present value of the scheme liabilities	(186.5)	(302.8)
Actuarial loss to be recognised in the Statement of Total Recognised Gains and Losses (i)	(31.1)	(118.8)
Cumulative actuarial (loss)/gain recognised in reserves at 1 January (i)	(49.5)	69.3
Cumulative actuarial losses recognised in reserves at 31 December (i)	<u>(80.6)</u>	<u>(49.5)</u>

(i) Before adjustment for taxation.

18. Pensions (continued)**(e) Defined benefit pension scheme contributions**

Note 22 to the Centrica plc 2013 Annual Report and Accounts provides details of the triennial review carried out at 31 March 2012 in respect of the UK Registered Pension Schemes and the asset-backed contribution arrangements set up in 2012 and 2013. During the year the Group made a contribution of £360 million via the asset-backed contribution arrangement, of which the Company's share was £113.7 million. Under FRS 17, Retirement Benefits, the Company's contribution and trustee interest in the Scottish Limited Partnerships are recognised as scheme assets. The Company estimates that it will pay £34.8 million of employer contributions during 2014 at an average rate of 28% of pensionable pay.

(f) Defined contribution pension scheme contributions

The total cost charged to income of £18.5m (2012: £8.5m) represents contributions payable to these schemes by the Company at rates specified in the rules of the scheme.

(g) Pension scheme assets

	2013	2012
	£m	£m
Equities	1,766	1,844
Corporate bonds	1,571	1,411
Liability matching assets	1,241	997
High-yield debt	362	324
Diversified asset funds	403	246
Property	264	204
Cash pending investment	8	12
Asset backed contribution assets	379	84
Group pension scheme assets (i)	<u>5,994</u>	<u>5,122</u>
	2013	2012
	£m	£m
Company share of above	2,247	1,875
Expected long-term rate of return on assets per annum	5.5%	5.6%

(i) Total pension schemes assets for the UK pension schemes.

The overall expected rate of return on assets is a weighted average based on the actual plan assets held in each class and the expected returns on separate asset classes less costs of administering the plan and taxes paid by the plan itself. The returns on separate asset classes are based on the expected median return over a 10-year period (for equities, high-yield debt and property) and appropriate market indices (for fixed-interest bonds and inflation-linked assets). These returns are calculated by the independent Company actuary, and adjusted for factors specific to the investment portfolio of the Centrica Combined Common Investment Fund.

(h) Histories	2013	2012	2011
	£m	£m	£m
History of surplus			
Plan assets	2,247.2	1,874.5	1,572.5
Defined benefit obligations	<u>(2,056.6)</u>	<u>(1,795.7)</u>	<u>(1,440.0)</u>
Pension surplus	<u>190.6</u>	<u>78.8</u>	<u>132.5</u>
Difference between the expected and actual return on scheme assets	<u>150.1</u>	<u>173.2</u>	<u>(6.9)</u>
Experience gains on scheme liabilities	<u>5.3</u>	<u>10.8</u>	<u>12.9</u>

19. Called up share capital

	2013 £m	2012 £m
Authorised, issued, allotted and fully paid		
Ordinary shares of £1 each (2012: 800,000,100 ordinary shares of £1 each)	<u>800.0</u>	<u>800.0</u>

20. Share based payments

Summary of principal share-based payment plans and movements in the number of shares and options outstanding

Employee share schemes are designed to encourage participants to align their objectives with those of shareholders. The Company participates in seven employee share schemes which gave rise to a charge of £17.5m (2012: £11.9m) which represents 2.8% (2012: 2.0%) of employee costs. Over 75% of this share-based payment charge arose from three schemes: Deferred and Matching Share Scheme (DMSS), Long Term Incentive Scheme (LTIS) and the Share Award Scheme (SAS).

Deferred and Matching Share Scheme

Awards under the DMSS are generally reserved for employees within the senior executive group. The vesting period is four years, comprising bonus year and three-year performance period. Participants must defer between 20% and 40% of annual pre-tax bonus into the scheme (as deferred shares) and can elect to invest additional amounts of annual bonus up to a maximum of 50% of total potential bonus (as investment shares). Deferred and investment shares will be matched with conditional shares. On achievement of performance targets over the three-year period, matching shares are either released immediately or delivered as nil cost options exercisable for seven years. Performance is measured through Group and segment Economic Profit (EP) targets. Further information on the operation of the DMSS and related performance conditions can be found on pages 65 to 82 of the Centrica plc 2013 Annual Report and Accounts. Leaving prior to the vesting date will normally mean forfeiting rights to deferred shares.

Long Term Incentive Scheme

Awards under the LTIS are available to employees within senior management. The vesting period is three years following the grant date. For grants after 2012 the number of shares awarded is calculated according to EPS, Group EP, TSR and non-financial KPI's. For grants before 2012 the number of shares awarded is calculated according to EPS growth and TSR. Following the end of the assessed performance period, and subject to continued employment at that date, shares are either released immediately or delivered as nil cost options exercisable for seven years. Further information on the operation of the LTIS and related performance conditions can be found on pages 65 to 82 of the Centrica plc 2013 Annual Report and Accounts.

Share Award Scheme

Under the SAS, allocations of shares in Centrica plc are made to selected employees at middle management levels, based on recommendation by the Chief Executive and the Group Human Resources Director. There is no contractual eligibility for SAS and each year's award is made independently from previous awards. Allocations are subject to no performance conditions and vest unconditionally subject to continued employment within the Group (except where permitted by the rules of the scheme) in two stages – half of the award vesting after two years, the other half vesting after three years. On vesting, additional shares are awarded or a cash payment is made to reflect dividends that would have been paid on the allocations during the vesting period. The fair value is therefore considered to be the market value at date of grant.

21. Reserves

	2013 Share premium account £m	2013 Profit and loss account £m	2013 Total £m	2012 Total £m
1 January	447.2	2,530.4	2,977.6	2,366.7
Profit for the financial year	-	567.4	567.4	688.8
Employee share option schemes - value of services provided	-	17.5	17.5	12.2
Actuarial losses net of taxation	-	(22.5)	(22.5)	(90.1)
At 31 December	<u>447.2</u>	<u>3,092.8</u>	<u>3,540.0</u>	<u>2,977.6</u>

The profit and loss account can be further analysed as follows:

	Capital contribution reserve £m	Other £m	Total profit and loss account £m
At 1 January	89.2	2,441.2	2,530.4
Profit for the financial year	-	567.4	567.4
Employee share option schemes - value of services provided	17.5	-	17.5
Actuarial losses net of taxation	-	(22.5)	(22.5)
At 31 December 2013	<u>106.7</u>	<u>2,986.1</u>	<u>3,092.8</u>

The capital contribution reserve relates to amounts arising on the issue of share options to employees.

22. Reconciliation of movements in shareholder's funds

	2013 £m	2012 £m
1 January	3,777.6	3,166.7
Profit for the financial year	567.4	688.8
Employee share option schemes - value of services provided	17.5	12.2
Actuarial losses net of taxation	(22.5)	(90.1)
At 31 December	4,340.0	3,777.6

23. 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 two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. As a result of this sale, certain commitments, previously held by British Gas Trading Limited, have also been transferred to these entities. It is noted that these contracts were transferred via back to back agreements and therefore where such back to back agreements exist no commitments have been disclosed in these financial statements. British Gas Trading Limited also signed an agreement with British Gas Energy Procurement Limited in which British Gas Energy Procurement Limited agreed to source commodities as required by British Gas Trading Limited the price for which is determined by the back to back contracts entered into by British Gas Energy Procurement Limited, subject to certain caps and floors. A fixed fee of £42m p.a. (indexed) is also payable by British Gas Trading Limited under the terms of this contract to reflect the activities and elements of risk taken on by British Gas Energy Procurement Limited. The agreement remains operational until both parties agree to terminate the agreement. No commitments associated with this contract have been included in the disclosures below. Refer to note 29.

	2013 £m	2012 £m
a) Commitments in relation to the acquisition of intangible assets	(i)	
Renewable obligation certificates	-	2,159.5
Carbon emissions certificates	-	17.9
Certified emission reduction certificates	-	20.7
Other	-	13.9
	-	2,212.0

(i) 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 two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. As a result of this sale, certain commitments in relation to the acquisition of intangible assets, previously held by British Gas Trading Limited, have also been transferred to these entities. Refer to note 29.

	2013 £m	2012 £m
b) Commitments in relation to other contracts	(i)	(ii)
Transportation capacity	159.0	334.2
LNG capacity	797.1	844.0
Energy Company Obligation (ECO)	255.2	-
Levy exemption certificates	-	76.2
Tolling (ii)	-	298.9
Customer loyalty points scheme	34.3	51.5
Outsourcing of services	37.0	22.6
Other	71.0	8.2
	1,353.6	1,635.6

(i) 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 two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. As a result of this sale, certain commitments in relation to other contracts, previously held by British Gas Trading Limited, have also been transferred to these entities. Refer to note 29.

(ii) Restated to include the commitment in relation to tolling not disclosed in the prior year.

c) Lease commitments

At 31 December 2013, the Company had annual commitments under non-cancellable operating leases for vehicles expiring as follows:

	2013 £m	2012 £m
Within one year	0.8	0.7
Between two and five years	5.2	4.2
After five years	-	-
	6.0	4.9

Included within operating leases expiring between two and five years are annual commitments of £1.1m (2012: £1.6m) which are due to British Gas Finance Limited (formerly Centrica Finance (UK) Limited).

23. Commitments and contingencies (continued)**d) Guarantees and indemnities**

In connection with the Centrica plc group's energy trading, transportation and upstream activities, certain Centrica plc group companies, including British Gas Trading 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 British Gas Trading Limited, have entered into contracts under which they recognise their support for certain security obligations granted to third parties.

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 its commodity purchase contracts to two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. Concurrently, British Gas Trading Limited received a guarantee from GB Gas Holdings Limited in relation to all obligations in connection with these contracts transferred to British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. Refer to note 29.

e) 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 2013 Annual Report and Accounts.

Commodity purchase commitments are estimated, on an undiscounted basis, as follows:

	2013 £m	2012 £m
	(i)	
Within one year	-	7,571.9
Between one and five years	924.6	20,156.1
After five years	-	21,416.0
	<u>924.6</u>	<u>49,144.0</u>

(i) 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 its commodity purchase contracts to two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. As a result of this sale, certain commodity purchase commitments, previously held by British Gas Trading Limited, have also been transferred to these entities. Refer to note 29.

The Company has commodity purchase commitments with other Centrica group companies which are not included in the above numbers.

24. 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".

	2013 £m	2012 £m
Financial instruments held for trading	(i)	(ii)
Energy derivatives - assets	155.3	251.7
Energy derivatives - liabilities	-	(453.4)
Foreign exchange swaps - assets	-	13.5
Foreign exchange swaps - liabilities	-	(30.4)
	<u>155.3</u>	<u>(218.6)</u>

(i) 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 two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. As a result of this sale, contracts that constitute derivative financial instruments, previously held by British Gas Trading Limited, have also been transferred to these entities. Refer to note 29.

(ii) Restated to reflect a change in valuation assumptions of certain contracts to be consistent with current year.

25. Weather hedge

The Company has a weather index call option with British Gas Services Limited. During 2013 the Company received an annual premium of £2.2m and an amount of £0.7m was paid out under the option to British Gas Services Limited (2012: An annual premium of £2.2m was received and £2.9m was paid out). On the expiration of the existing agreement on 30 November 2013 a new agreement was signed which will expire on 31 December 2016.

26. 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.

During the year, the Company entered into arm's length transactions with the following related parties:

Wind farm joint ventures

Barrow Offshore Wind Limited
Braes of Doune Wind Farm (Scotland) Limited
Glens of Foudland Wind Farm Limited
Inner Dowsing Wind Farm Limited
Lincs Wind Farm Limited
Lynn Wind Farm Limited
Rhiannon Wind Farm Limited

Nuclear associates

EDF Energy Nuclear Generation Limited
Lake Acquisitions Limited

These transactions and associated balances are as follows:

	2013	2013	2012	2012
	Wind farm joint ventures	Nuclear associates	Wind farm joint ventures	Nuclear associates
	£m	£m	£m	£m
	(i)	(i)		
Power sales	-	27.1	-	145.2
Sales - other	-	-	-	11.9
Purchase of power, ROCs and LECs	(110.2)	-	(77.9)	-
Purchase of power	-	(638.9)	-	(580.9)
Purchases - other	-	-	-	(16.8)
Amounts owed by related parties	-	-	-	8.4
Amounts owed to related parties	-	-	(21.8)	(73.1)

(i) 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 two newly formed entities within the Centrica plc group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. As a result of this sale, contracts with related parties, previously held by British Gas Trading Limited, have also been transferred to these entities.

No provision for bad or doubtful debts owed by related parties was required (2012: £nil).

27. Post balance sheet events

In June 2014, but with effect from 31 December 2013, British Gas Trading Limited entered into an agreement with Centrica LNG Company Limited to utilise the Isle of Grain facility. The primary purpose of the Isle of Grain contract is to contribute to the secure supply of the British Gas customer base; Centrica LNG Company Limited will pay British Gas Trading Limited (1) British Gas Trading Limited's costs in relation to Isle of Grain slots sold to Centrica LNG Company Limited; (2) a monthly fee to British Gas Trading Limited to reflect its usage of other LNG capacity for optimisation purposes. Further, Centrica LNG Company Limited will market LNG capacity for BGTL and any profits will be shared. This agreement supersedes the previous arrangements in place, whereby Centrica LNG Company Limited was liable for all costs at the Isle of Grain. The new agreement has been documented in a recharge agreement.

28. 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.

29. Sale of trade and assets (via back to back contractual arrangements)

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, along with the associated assets and liabilities, to two newly formed entities within the Centrica plc Group; British Gas Energy Procurement Limited and Centrica Energy Marketing Limited. This transferred the wholesale and industrial gas and power business and the energy procurement activity from the Company to these newly formed entities with the residential energy supply, residential services and business energy supply and services remaining in the Company.

The assets and liabilities disposed of can be analysed as follows:

	Disposal to Centrica Energy Marketing Limited £m	Disposal to British Gas Energy Procurement Limited £m	Total £m
Intangible fixed assets	(14.4)	(122.7)	(137.1)
Fixed assets	(82.1)	(3.4)	(85.5)
Current assets	(229.6)	(32.9)	(262.5)
Creditors	271.7	530.7	802.4
Provisions for liabilities and charges	135.5	-	135.5
Net liabilities disposed of	81.1	371.7	452.8
Consideration transferred on sale	(286.6)	(371.7)	(658.3)
Loss on disposal (i)	(205.5)	-	(205.5)
Satisfied by:			
Amounts payable to Group undertakings	(286.6)	(371.7)	(658.3)

(i) The loss recognised is equivalent to the fair value of commodity contracts disposed to Centrica Energy Marketing Limited which were not held on the balance sheet on 31 December 2013 due to the Company not having adopted FRS 26 or FRS 29.