Registered number: 08811254

British Gas Energy Procurement Limited

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

Contents

British Gas Energy Procurement Limited

Strategic Report for the Period ended 31 December 2014

The Directors present the Strategic Report of British Gas Energy Procurement Limited (the Company) for the Period from 11 December 2013 to 31 December 2014.

Business review
The Company was incorporated on 11 December 2013 and is a wholly owned subsidiary of British Gas Trading Limited (BGTL). These financial statements cover the first period of trading from the Company's incorporation on 11 December 2013 to 31 December 2014.

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 BGTL concluded that financial reporting of the Group could be improved by implementing change so that the BGTL 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 "International Upstream Gas and Power"))*.

Accordingly, BGTL 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. BGTL also sold the trade, net assets and unrealised commodity contracts (via back to back contractual arrangements) associated with procuring gas and power for its residential and business customers to a new specialist energy procurement legal entity within the Group: British Gas Energy Procurement Limited (the Company). These disposals completed on 31 December 2013. The restructure sees the beneficial interest in all commodity contracts, which previously resided in BGTL, transferred to the Company.

On 31 December 2013, the Company entered into a daily physical supply contract with BGTL. The pricing of the physical supply contract is based on the realised cost of procuring physical gas and power but the Company is responsible for the within day balancing and any risk of contract non-delivery. For these services the Company receives a fixed fee of £42m per annum. The Company also shares in BGTL's price risk of the energy procurement activities for British Gas residential tariff customers by incurring any gain or loss on the cost of procurement in excess of a corridor (+/-7.5%) when compared to a market rateable strategy (although this will be mitigated by a cost base adjustment to ensure the risk BGEPL takes on is commensurate to the fee it receives). The Company would also be responsible for negotiating and entering into new load book contracts. The agreement remains operational until both parties agree to terminate the agreement.

* Please see note 4 of the Centrica plc 2014 Annual Report and Accounts for segmental reporting details.

Principal risks and uncertainties
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 40-45 of the Centrica plc 2014 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 Energy Procurement Limited. KPIs relating to these business units are included in the Centrica plc 2014 Annual Report and Accounts on pages 18 and 19.

Financial performance
The results of the Company are set out on page 8. The profit for the financial Period ended 31 December 2014 is £15.5m.

Financial position
The financial position of the Company is presented in the Balance Sheet on page 9. Total shareholder's funds at 31 December 2014 were £15.5m.

Future developments
The Company continues to procure physical gas and power in order to supply BGTL. On 13 May 2015 Centrica entered into new agreements to increase the volume of gas it is buying from Statoil ASA and Gazprom Marketing & Trading Limited (see note 19).

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

This report was approved by the board on 8 September 2015.

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

Company registered in England and Wales, No. 08811254
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

British Gas Energy Procurement Limited

Directors' Report for the Period ended 31 December 2014

The Directors present their report and the audited financial statements of the Company for the Period from 11 December 2013 to 31 December 2014.

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

Results and dividends
The results of the Company are set out on page 8. The profit for the financial Period ended 31 December 2014 is £15.5m. No dividend is proposed for the financial Period.

Financial position
The financial position of the Company is presented in the Balance Sheet on page 9. Total shareholder's funds at 31 December 2014 were £15.5m.

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 targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

On 31 December 2013, the Company entered into a daily physical supply contract with BGTL. As a result the Company took on balancing risk, price risk and credit risk previously managed by BGTL.

Balancing risk refers to the volume and pricing risk associated with within day balancing (including day ahead balancing for power). The Company manages the delivery of gas and power under commodity contracts and endeavours to match this to the actual customer demand of BGTL under the terms of the daily physical supply contract.

The Company shares in the price risk of BGTL's energy procurement activities by incurring any gain or loss on the cost of procurement of energy for British Gas residential tariff customers in excess of a corridor (+/-7.5%) when compared to a market rateable strategy (although this will be mitigated by a cost base adjustment to ensure the risk BGEPL takes on is commensurate to the fee it receives).

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. The Company continues to be vigilant in managing counterparty risks in accordance with its financial risk management policies.

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

J M Campbell (appointed 11 December 2013)
C A Ling (appointed 11 December 2013)
L R Pearson (appointed 11 December 2013)
L Rubasingham (appointed 11 December 2013)
S J Buck (appointed 31 May 2015)
M R Uzielli (appointed 11 December 2013, resigned 31 May 2015)
C P A Weston (appointed 11 December 2013, resigned 30 December 2014)

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

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

Employment policies
The Company has no employees. All staff related costs are recharged from other Group companies.

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

Company law requires the Directors to prepare financial statements for each financial 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.

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 8 September 2015.

J. ELLIOT

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

Company registered in England and Wales, No. 08811254
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Independent Auditor's Report to the Members of British Gas Energy Procurement Limited

Report on the financial statements

Our opinion
In our opinion, British Gas Energy Procurement Limited's financial statements (the financial statements):
- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the period from 11 December 2013 to 31 December 2014 (the "period");
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements comprise:
- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' responsibilities set out on page 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 International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements for the Period Ended 31 December 2014 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

8 September 2015

Profit and Loss Account for the Period ended 31 December 2014

	Note	Period from 11 December 2013 to 31 December 2014 Total £m
Turnover	2	5,654.8
Cost of sales		(5,638.0)
Gross profit		16.8
Impairment of investments		(3.3)
Operating profit		13.5
Interest receivable and similar income	5	6.8
Profit on ordinary activities before taxation		20.3
Tax on profit on ordinary activities	6	(4.8)
Profit for the financial period	14	15.5

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

There have been no recognised gains or losses during the period other than those shown above in the profit and loss account. All amounts relate to continuing operations.

The notes on pages 10 to 17 form part of these financial statements.

Balance Sheet as at 31 December 2014

	Note	2014 £m
Fixed assets		
Intangible assets	7	9.5
Investments	8	0.1
		9.6
Current assets		
Stocks	9	179.2
Debtors	10	394.0
Cash at bank and in hand	11	5.7
		578.9
Creditors (amounts falling due within one year)	12	(573.0)
Net current assets		5.9
Total assets less current liabilities		15.5
Creditors (amounts falling due after more than one year)		-
Net assets		15.5
Capital and reserves		
Called up share capital	13	-
Profit and loss account	14	15.5
Total shareholder's funds	15	15.5

The notes on pages 10 to 17 form part of these financial statements.

The financial statements on pages 8 to 17 were approved and authorised for issue by the Board of Directors on 8 September 2015.

Steven Buck
Director
Company number 08811254

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 Applicable Accounting Standards and the Companies Act 2006.

The Company is a wholly-owned subsidiary undertaking of British Gas Trading 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.

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

Cost of sales
Cost of sales includes the cost of gas and electricity purchased during the year including balancing costs of day ahead and within day trading. It also includes employee recharges from British Gas Trading Limited.

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.

EU Emissions Trading Scheme (EU ETS) and Renewable Obligations Certificates (ROCs)
Purchased EU ETS emissions allowances are recognised initially at cost (purchase price) within intangible assets. Purchased ROCs are recognised initially at cost within stock and transferred to British Gas Trading Limited at the end of the compliance period to enable British Gas Trading Limited to meets its obligation.

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

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

Investments
Investments are included in the Balance Sheet at cost, less any provisions for impairment as necessary.

Levy Exemption Certificates (LECs)
LECs are held on the Balance Sheet as stock before being transferred to British Gas Trading Limited upon registration of certificates. In British Gas Trading Limited 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 at the lower of cost and net realisable value.

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

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

1. Principal accounting policies (continued)

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.

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 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 17.

2. Turnover
All turnover arose in the United Kingdom.

3. Operating profit

Operating profit is stated after charging:	Note	Period from 11 December 2013 to 31 December 2014 £m
Impairment – investments	8	3.3
Contingent rents - Renewable power purchase agreements		11.9
Auditors' remuneration:		
Statutory audit		0.1

Auditors' remuneration totalling £100k relates to fees for the audit of the 2014 UK GAAP financial statements of British Gas Energy Procurement Limited and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica plc Group audit.

4. Directors and employees

Employees
The Company has no employees. Any costs relating to employees are borne by other Centrica group companies and recharged to the Company.

Directors' emoluments
All Directors' emoluments were borne by other Group companies and recharged to the Company. The aggregate emoluments paid to directors in respect of their qualifying services were £1,274,374. The aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services were £74,006. There were two directors to whom retirement benefits are accruing under a defined benefit pension scheme. There were four directors to whom retirement benefits are accruing under money purchase pension schemes. There were three directors who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme. There was one director who exercised share options relating to the ultimate parent company.

The highest paid director received emoluments of £291,893 and the Company contributed £8,172 to their pension scheme. The highest paid director is accruing retirement benefits under a money purchase pension scheme.

5. Interest receivable and similar income

	Period from 11 December 2013 to 31 December 2014 £m
Interest receivable and similar income	
Interest receivable from Group undertakings	6.8

6. Tax on profit on ordinary activities

(a) Analysis of tax charge in the period

	Period from 11 December 2013 to 31 December 2014
	£m
The tax charge comprises:	
Current tax	
United Kingdom corporation tax at 21.5%	4.8
Adjustments in respect of prior years	-
Tax on profit on ordinary activities	4.8

b) Factors affecting the tax charge for the period

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

	Period from 11 December 2013 to 31 December 2014
	£m
Profit on ordinary activities before tax	20.3
Tax on profit on ordinary activities at standard UK corporation tax rate of 21.5%	4.4
Effects of	
Expenses not deductible for tax purposes	0.7
UK:UK transfer pricing adjustments	(0.3)
Current tax charge for the period	4.8

The main rate of corporation tax was reduced from 23% to 21% from 1 April 2014. A further reduction to reduce the rate to 20% from 1 April 2015 was substantively enacted in Finance Act 2013 on 2 July 2013 and has been reflected within these financial statements.

7. Intangible assets

	Emission allowances £m
Cost	
On Incorporation	-
Additions – transferred from British Gas Trading Limited (i)	122.7
Transfers – renewable obligation certificates reclassified as stock	(113.8)
Additions – purchased	13.5
Disposals	(12.9)
At 31 December 2014	9.5
Accumulated amortisation	
On Incorporation and at 31 December 2014	-
Net book value	
At 31 December 2014	9.5
As at 11 December 2013	-

(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 the Company.

8. Investments

Cost and net book value	Shares in undertakings £m
On Incorporation	-
Additions – transferred from British Gas Trading Limited (i)	3.4
Impairment (ii)	(3.3)
At 31 December 2014	0.1

(i) On 31 December 2013, as part of a process to increase clarity and transparency in financial reporting, British Gas Trading Limited sold its holding in The CCC Carbon Fund II Limited Partnership to the Company. The Partnership was formed for the purpose of funding investments, to be managed by Climate Change Capital, in carbon emission reduction rights, emission allowances and derivatives thereof in accordance with a defined investment policy.

(ii) The value of the Company's investment has been impaired to £0.1m following a valuation of the managed fund of which the Company holds a 3.75% stake. The valuation is calculated based on forecast future cash flows discounted at 7%.

9. Stocks

	At 31 December 2014 £m
Levy exemption certificates	8.2
Renewable obligation certificates	171.0
	179.2

10. Debtors

	At 31 December 2014 Within one year
	£m
Accrued energy income	10.5
Amounts owed by group undertakings	378.5
Other debtors	5.0
	394.0

Within the amounts owed by Group undertakings is £378.5m 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 1.69% and 1.90%. All amounts owed by Group undertakings are unsecured and repayable on demand.

11. Cash at bank and in hand

	At 31 December 2014 £m
Cash at bank and in hand	5.7

12. Creditors (amounts falling due within one year)

	At 31 December 2014 £m
Amounts owed to group undertakings	167.8
Accruals and deferred income	405.2
	573.0

The amounts owed to Group undertakings are interest-free. All amounts owed to Group undertakings are unsecured and repayable on demand.

13. Called up share capital

	At 31 December 2014 £
Authorised, issued, allotted and fully paid	
1 Ordinary share of £1	1

14. Reserves

	Profit and loss account £m
On Incorporation	-
Profit for the financial period	15.5
At 31 December 2014	**15.5**

15. Reconciliation of movements in shareholder's funds

	£m
On Incorporation	-
Profit for the financial period	15.5
At 31 December 2014	**15.5**

16. 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 the Company. As a result of this sale, certain commitments, previously held by British Gas Trading Limited, have been transferred to the Company.

	At 31 December 2014 £m
a) Commitments in relation to the acquisition of intangible assets	
European Union allowances	9

	At 31 December 2014 £m
b) Commitments in relation to other contracts	
Renewable obligation certificates	936
Levy exemption certificates	108
	1,044

On 8 July 2015 the UK Government announced the removal of the Climate Change Levy (CCL) exemption for renewably sourced electricity from 1 August 2015. As a result, the Company's commitment to purchase levy exemption certificates would have been reduced from £108m to £7m.

16. Commitments and contingencies (continued)

c) Commodity purchase contracts

Centrica plc group procures commodities through a mixture of production from gas fields, power stations, wind farms and procurement contracts. Procurement contracts include short-term forward market purchases of gas and electricity at fixed and floating prices. They also include gas and electricity contracts indexed to market prices and long-term gas contracts with non-gas indexation. Further information about the Centrica plc group's procurement strategy is contained in note 23 of the Centrica plc 2014 Annual Report and Accounts.

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

	Power £m	Gas £m	At 31 December 2014 Total £m
Within one year	1,853	4,201	6,054
Between one and five years	1,317	6,367	7,684
After five years	350	8,000	8,350
	3,520	18,568	22,088

17. 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".

	Beneficial interest £m	Flow Agreement £m	At 31 December 2014 £m
Financial instruments held for trading			
Energy derivatives – assets	59.6	865.9	925.5
Energy derivatives – liabilities	(924.8)	-	(924.8)
Foreign exchange swaps – assets	-	-	-
Foreign exchange swaps – liabilities	(0.7)	-	(0.7)
	(865.9)	865.9	-

BGTL has transferred the beneficial interest of certain gas and power procurement contracts to the Company. The Company has then entered into a back-to-back flow agreement with BGTL for the sale of this gas and power to BGTL. The derivative fair values of the beneficial interests and the flow agreement are disclosed above and net to nil.

18. 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.

19. Post balance sheet events

On 13 May 2015 Centrica entered into a new agreement to increase the volume of gas it is buying from Statoil ASA. In 2011 Centrica signed a 10 year agreement with Statoil for the supply of 5 billion cubic metres (bcm) of gas per annum to be delivered to the UK from October 2015. The new agreement will increase the volume of gas by a further 2.3 bcm per annum, taking the total volume to be delivered to 7.3 bcm per annum.

On 13 May 2015 Centrica entered into a new agreement to extend its gas supply contract with Gazprom Marketing & Trading Limited (GM&T), a UK-registered subsidiary of OAO Gazprom, to increase the volume of gas it is buying under the agreement it signed with GM&T in 2012. The new agreement, combined with the volumes agreed in 2012, takes the average volume of gas to 4.16 bcm per annum, taking the total volume to be delivered to the UK under the agreement to 29.1 bcm.

On 8 July 2015 the UK Government announced the removal of the Climate Change Levy (CCL) exemption for renewably sourced electricity from 1 August 2015. As a result, the Company's commitment to purchase levy exemption certificates would have been reduced from £108m to £7m.

20. Ultimate parent undertaking

The immediate parent undertaking is British Gas Trading 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.