

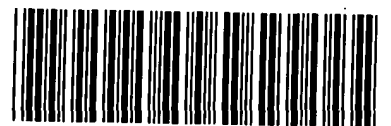
Registration number: 04055254

# Centrica Finance (Canada) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

SATURDAY



\*A9EFKK82\*

A04

26/09/2020

#237

COMPANIES HOUSE

## **Centrica Finance (Canada) Limited**

### **Contents**

	<b>Page(s)</b>
Strategic Report	1 to 3
Directors' Report	4 to 7
Statement of Directors' Responsibilities	5
Independent Auditors' Report	8 to 10
Income Statement	11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 to 24

## **Centrica Finance (Canada) Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The Directors present their Strategic Report for Centrica Finance (Canada) Limited (the 'Company') for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of the Company is the provision of financing in Canadian dollars to other companies in the Centrica plc group (the 'Group')

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

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

The financial position of the Company is presented in the Statement of Financial Position on page 13. Total equity as at 31 December 2019 was £956,649,000 (2018: £905,496,000). The profit for the financial year ended 31 December 2019 was £51,153,000 (2018: £22,634,000).

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

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 34-43 of the Group's Annual Report and Accounts 2019, which does not form part of this report.

The Company is exposed to interest rate risks linked to Centrica plc Group's ('the Group') cost of funds and exchange rate risk of Canadian dollars against sterling. Centrica plc manages the interest rate risk on long-term borrowings in line with the Group policy by ensuring the exposure to floating point interest rates remain in the range 30% to 70% including the impact of interest rate derivatives.

The assets and liabilities of the Company are denominated in Canadian dollars and the Company is therefore exposed to exchange rate risk of this currency. This risk is not hedged or mitigated but the Directors are satisfied that the Company is supported by Centrica plc, which allows them to support this risk.

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

The UK's exit from the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. It is unclear whether a trade deal will be agreed with the European Union during 2020 or the transition period will end without terms being agreed. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

## **Centrica Finance (Canada) Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **Impact of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) outbreak and coronavirus disease (COVID-19) pandemic**

On 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. Following United Kingdom government measures in response to the pandemic the Centrica plc group ("Group") became subject to a significant change in business environment, as well as implementing a number of significant operational changes in order to be able to continue to serve and support our customers. However, there are no significant changes in the business environment or operational changes specific to the Company in carrying out its principal activities.

The events described above arose after the Company's balance sheet date, and therefore there is no impact on the results or financial position of the Company as at 31 December 2019. The Company is supported by the Group, which has stated that it intends to support the Company for a period of at least 12 months from the date the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that there are a range of future potential financial impacts upon the Group as a result of the pandemic including the carrying value of the Company's investments in Group companies but, following assurances from the ultimate parent company underpinned by its detailed assessment, have satisfied themselves that the Group will be able to support the Company if required under all reasonably foreseeable circumstances. For more information refer to the Going Concern section of the Directors' Report on page 4.

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

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the Company are net assets and profit after tax, and these are shown above.

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 18-19 of the Group's Annual Report and Accounts 2019, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

## **Centrica Finance (Canada) Limited**

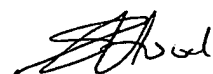
### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **Future developments**

On 11 June 2020, Centrica announced plans for a significant restructure designed to create a simpler, leaner group focused on improved service delivery for customers. The revised operating model is expected to accelerate the delivery of targeted cost savings and lead to a reduction of around 5,000 roles across the Group. The majority of the restructuring is expected to take place in the second half of 2020 after necessary consultations on the proposals have been concluded. The restructure will benefit the longer term value of the business, future operating profits and maintenance of a strong capital position of the Group. The Company would not expect to be materially impacted by the restructure but due to uncertainties arising from the consultation process it is not possible to quantify the effect at this time.

On 24 July 2020, the Group announced it had agreed to dispose of its North American supply, services and trading business, Direct Energy, to NRG for headline consideration of £2.85 billion (\$3.6 billion). The Company has funding arrangements in place for the Canadian business through Direct Energy Marketing Limited, as outlined in notes 9 and 10. On completion of the sale these balances will be settled and the funding arrangements will cease.

Approved by the Board on 17/09/2020 and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 04055254

Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD  
United Kingdom

## **Centrica Finance (Canada) Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

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

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

I G Dawson (resigned 31 March 2019)

C Redcliffe (resigned 17 April 2020).

A M Todd (resigned 18 November 2019)

J M Campbell (appointed 31 March 2019)

K B Ringrose (appointed 18 November 2019)

The following director was appointed after the year end:

G J Kendall (appointed 17 April 2020)

#### **Results and dividends**

The results of the Company are set out on page 11. The profit for the financial year ended 31 December 2019 is £51,153,000 (2018: profit £22,634,000).

The Company did not pay an interim dividend during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend (2018: £nil).

#### **Objectives and policies**

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 in terms of price risk, credit risk, liquidity risk and cash flow risk**

Exposure to counterparty credit risk, liquidity risk and cash flow risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with Group undertakings.

#### **Future developments**

Future developments are discussed in the Strategic Report on page 3.

## **Centrica Finance (Canada) Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Going concern**

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled and plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

#### **Non adjusting events after the financial period**

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore the consequences of such interventions represent non-adjusting post balance sheet events. The Company has no critical judgements or key sources of estimation uncertainty at the balance sheet date which could have been subsequently affected by these events. There have been no further non-adjusting significant events affecting the Company after the year end.

On 24 July 2020, the Group announced it had agreed to dispose of its North American supply, services and trading business, Direct Energy, to NRG for headline consideration of £2.85 billion (\$3.6 billion). The Company has funding arrangements in place for the Canadian business through Direct Energy Marketing Limited, as outlined in notes 9 and 10. On completion of the sale these balances will be settled and the funding arrangements will cease.

#### **Directors' and officers' liability**

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

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

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

## **Centrica Finance (Canada) Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

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

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

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

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

Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.



## **Centrica Finance (Canada) Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Auditors**

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

Approved by the Board on 17/09/2020 and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 04055254  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD  
United Kingdom

## **Centrica Finance (Canada) Limited**

### **Independent Auditors' Report to the Members of Centrica Finance (Canada) Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Centrica Finance (Canada) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

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

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

##### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

## **Centrica Finance (Canada) Limited**

### **Independent Auditors' Report to the Members of Centrica Finance (Canada) Limited (continued)**

#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **Responsibilities of Directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

## **Centrica Finance (Canada) Limited**

### **Independent Auditors' Report to the Members of Centrica Finance (Canada) Limited (continued)**

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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

D. Winstone

Daryl Winstone (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

Date: 17/9/20

## Centrica Finance (Canada) Limited

### Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Finance income	5	62,144	52,447
Finance costs	5	<u>(426)</u>	<u>(21,454)</u>
Net finance income		<u>61,718</u>	<u>30,993</u>
Profit before taxation		61,718	30,993
Taxation on profit	7	<u>(10,565)</u>	<u>(8,359)</u>
Profit for the year		<u>51,153</u>	<u>22,634</u>

The above results were derived from continuing operations.

**Centrica Finance (Canada) Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2019**

	<b>2019</b> <b>£ 000</b>	<b>2018</b> <b>£ 000</b>
Profit for the year	<u>51,153</u>	<u>22,634</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>51,153</u>	<u>22,634</u>

# Centrica Finance (Canada) Limited

## Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
<b>Non-current assets</b>			
Investments	8	<u>354,142</u>	<u>354,142</u>
		354,142	354,142
<b>Current assets</b>			
Trade and other receivables	9	<u>991,586</u>	<u>907,721</u>
<b>Total assets</b>		<u>1,345,728</u>	<u>1,261,863</u>
<b>Current liabilities</b>			
Trade and other payables	10	<u>(389,079)</u>	<u>(356,367)</u>
<b>Net current assets</b>		<u>602,507</u>	<u>551,354</u>
<b>Total assets less current liabilities</b>		<u>956,649</u>	<u>905,496</u>
<b>Net assets</b>		<u>956,649</u>	<u>905,496</u>
<b>Equity</b>			
Share capital	11	462,002	462,002
Retained earnings		<u>494,647</u>	<u>443,494</u>
<b>Total equity</b>		<u>956,649</u>	<u>905,496</u>

The financial statement on pages 11 to 24 were approved and authorised for issue by the Board of Directors on 17/09/2020 and signed on its behalf by:



K B Ringrose  
Director

Company number 04055254

# Centrica Finance (Canada) Limited

## Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	462,002	443,494	905,496
Profit for the year	-	51,153	51,153
Total comprehensive income	-	51,153	51,153
At 31 December 2019	462,002	494,647	956,649

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	462,002	420,860	882,862
Profit for the year	-	22,634	22,634
Total comprehensive income	-	22,634	22,634
At 31 December 2018	462,002	443,494	905,496

The notes on pages 15 to 24 form an integral part of these financial statements.



## **Centrica Finance (Canada) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

Centrica Finance (Canada) Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

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

Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 3.

#### **2 Accounting policies**

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

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

From 1 January 2019, the following standards and amendments are effective in the Company's Financial Statements:

- IFRS 16: 'Leases'

The impact of adoption of IFRS 16 and the key changes to the accounting policy are disclosed below.

##### **Changes resulting from adoption of IFRS 16**

##### **IFRS 16: 'Leases'**

The Company adopted IFRS 16: 'Leases' from 1 January 2019. The first-time adoption did not have any impact on the financial statements as the Company has no leases which fall under the scope of IFRS 16.

##### **Summary of disclosure exemptions**

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

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

## **Centrica Finance (Canada) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

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

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

#### **Measurement convention**

The financial statements have been prepared on the historical cost basis.

#### **Exemption from preparing group accounts**

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate controlling company, Centrica plc.

#### **Going concern**

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled and plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

## **Centrica Finance (Canada) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

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

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

##### **Finance income**

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

##### **Foreign currencies**

Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the Company at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the reporting date, and associated gains and losses are recognised in the Income Statement for the year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

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

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

##### **Taxation**

Current tax, including UK corporation tax, [UK petroleum revenue tax and foreign tax] is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

## **Centrica Finance (Canada) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

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

Fixed asset investments in subsidiaries are held at deemed cost on transition to FRS 101 and in accordance with IAS 27, less any provision for impairment as necessary.

##### **Impairment**

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill shall not be reversed in a subsequent period. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

The Company provides for impairments of financial assets when there is objective evidence of impairment as a result of events that impact the estimated future cash flows of the financial assets.

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

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

##### **- Trade and other receivables**

Trade receivables are initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for expected credit losses. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not they are presented as non-current assets.

##### **- Trade and other payables**

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discount is often immaterial). If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

## **Centrica Finance (Canada) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **- Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### **- Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

##### **- Loans and other borrowings**

All interest-bearing and interest-free loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost using the effective interest method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

##### **Critical judgements in applying the Company's accounting policies**

The following are critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### **Investments in subsidiaries, associates and joint-ventures**

The Company undertakes an annual review process of its investments in subsidiaries, associates and joint-ventures as well as related receivables for indicators of impairment and tests for impairment where such an indicator arises.

After undertaking this review, the Company does not deem its investment to be impaired.

## Centrica Finance (Canada) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 4 Employees' costs

The Company had no employees during the year (2018: nil).

The Directors were remunerated as employees of the Centrica plc Group and did not receive any remuneration, from any source, specifically for their services as Directors of the Company during the current or preceding financial year.

#### 5 Net finance income/cost

##### Finance income

	2019 £ 000	2018 £ 000
Interest income from amounts owed by Group undertakings	56,030	52,447
Net foreign exchange gains on financing transactions	6,114	-
<b>Total finance income</b>	<b>62,144</b>	<b>52,447</b>

##### Finance cost

	2019 £ 000	2018 £ 000
Interest on amounts owed to Group undertakings	(426)	(8,451)
Net foreign exchange losses on financing transactions	-	(13,003)
<b>Total finance costs</b>	<b>(426)</b>	<b>(21,454)</b>
<b>Net finance income</b>	<b>61,718</b>	<b>30,993</b>

#### 6 Auditors' remuneration

Auditors' remuneration totalling £7,500 (2018: £7,500) relates to fees for the audit of the Financial Statements of the Company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group financial accounts of its ultimate parent, Centrica plc.

#### 7 Income tax

Tax charged in the Income Statement

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
UK corporation tax at 19% (2018: 19%)	(10,565)	(8,359)

## Centrica Finance (Canada) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 7 Income tax (continued)

The main rate of corporation tax for the year to 31 December 2019 was 19% (2018: 19%). The corporation tax rate was due to reduce to 17% with effect from 1 April 2020. However, at the Budget on 11 March 2020 it was announced that the rate of corporation tax will remain at 19%. The deferred tax balances provided in these financial statements reflect the enacted rate of 17%; when the Finance Bill 2020 is enacted the impact on deferred tax balances is not expected to be material.

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

	2019 £ 000	2018 £ 000
Profit before tax	61,718	30,993
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	(11,726)	(5,889)
Decrease (increase) from effect of expenses not deductible in determining taxable profit	1,161	(2,470)
Increase arising from group relief tax reconciliation	(2,864)	(2,245)
Decrease from transfer pricing adjustments	2,864	2,245
Total tax charge	(10,565)	(8,359)

#### 8 Investments

Subsidiaries	£ 000
Cost and net book value	
At 1 January 2018	354,142
At 31 December 2018	354,142
At 1 January 2019	354,142
At 31 December 2019	354,142

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
Centrica Delta Limited	Dormant	33-37 Athol Street, Douglas, IM1 1LB, Isle of Man	Ordinary shares	100%	100%

Centrica Delta Limited principally operates within its country of incorporation.

## Centrica Finance (Canada) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Trade and other receivables

	2019 Current £ 000	2018 Current £ 000
Amounts owed by Group undertakings	991,586	907,721

Amounts owed by Centrica Overseas Holdings Limited of CAD 1,705,393,000 (£991,586,000) (2018: CAD 1,547,456,000 (£889,197,000)) accrue interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. Interest accrues on the last day of the previous month and is payable monthly in arrears on the first day of each month. The range of the quarterly rates charged was between 5.54% and 6.10% (2018: 4.75% and 5.30%).

Amounts owed by Direct Energy Marketing Limited of CAD nil (£nil) (2018: CAD 32,243,000 (£18,524,000)) accrue interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. Interest accrues on the last day of the previous month and is payable monthly in arrears within ten working days after the end of the month. The range of the quarterly rates charged in 2018 was between 5.34% and 5.89%.

All amounts owed by Group undertakings are unsecured and repayable on demand.

#### 10 Trade and other payables

	2019 Current £ 000	2018 Current £ 000
Amounts owed to Group undertakings	(389,079)	(356,367)

Amounts owed to Centrica plc of CAD 43,597,000 (£25,349,000) (2018: CAD 8,067,000 (£4,633,000)) accrues interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. Interest accrues on the last day of the previous month and is paid monthly in arrears on the first day of each month. The range of the quarterly rates charged was between 5.54% and 6.10% (2018: 4.75% and 5.30%).

Amounts owed to Direct Energy Marketing Limited of CAD 31,696,000 (£18,429,000) (2018: receivable) accrues interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. Interest accrues on the last day of the previous month and is payable monthly in arrears within ten working days after the month end. The range of the quarterly rates charged was between 6.13% and 6.68%.

Amounts owed to Centrica Delta Limited of CAD 561,779,000 (£326,564,000) (2018: CAD 561,779,000 (£322,604,000)) is interest-free.

The other amounts owed to Group undertakings of £18,506,000 (2018: £28,960,000) are interest-free.

Interest payable of £231,000 (2018: £170,000) is interest-free.

All amounts owed to Group undertakings are unsecured and repayable on demand.



## Centrica Finance (Canada) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Capital and reserves

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

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary shares (fully paid) of C\$1 each	869,967,175	375,643,896	869,967,175	375,643,896
Ordinary shares (partly paid) of C\$1 each	200,000,000	86,358,194	200,000,000	86,358,194
	<u>1,069,967,175</u>	<u>462,002,090</u>	<u>1,069,967,175</u>	<u>462,002,090</u>

##### Retained earnings

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

#### 12 Parent and ultimate parent undertaking

The immediate parent undertaking is Centrica Gamma Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from [www.centrica.com](http://www.centrica.com).

## **Centrica Finance (Canada) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **12 Parent and ultimate parent undertaking (continued)**

##### **Relationship between entity and parents**

The parent of the largest group in which these financial statements are consolidated is Centrica plc.

The registered address of Centrica plc is:

Millstream  
Maidenhead Road  
Windsor  
SL4 5GD  
United Kingdom

The above is also the smallest group in which these financial statements are consolidated.

#### **13 Non adjusting events after the financial period**

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore the consequences of such interventions represent non-adjusting post balance sheet events. The Company has no critical judgements or key sources of estimation uncertainty at the balance sheet date which could have been subsequently affected by these events. There have been no further non-adjusting significant events affecting the Company after the year end.

On 24 July 2020, the Group announced it had agreed to dispose of its North American supply, services and trading business, Direct Energy, to NRG for headline consideration of £2.85 billion (\$3.6 billion). The Company has funding arrangements in place for the Canadian business through Direct Energy Marketing Limited, as outlined in notes 9 and 10. On completion of the sale these balances will be settled and the funding arrangements will cease.