

Registration number: 04055254

Centrica Finance (Canada) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

TUESDAY



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COMPANIES HOUSE

Centrica Finance (Canada) Limited

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Centrica Finance (Canada) Limited

Strategic Report for the Year Ended 31 December 2017

The Directors present their Strategic Report of Centrica Finance (Canada) Limited (the 'Company') for the year ended 31 December 2017.

Review of the business

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

The principal activity of the Company is the provision of financing in Canadian dollars to other companies in the Centrica plc group (the 'Group'). The financial position of the Company is presented in the statement of financial position on page 11. Total equity as at 31 December 2017 was £882,862,000 (2016: £865,921,000). The profit for the year ended 31 December 2017 is £16,941,000 (2016: £115,994,000).

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties that the Company is exposed to are interest rate risks linked to the Group's 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 principal risks and uncertainties for the Group, which include those of the Company, are discussed in the Group's 2017 Annual Report and Accounts, which does not form part of this report. Copies of the Annual Report of Centrica plc may be obtained from www.centrica.com.

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.

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 business are net assets and profit after tax and these are shown above. The development, performance and position of the Group, which includes the Company, are disclosed in the Group's Annual Report and Accounts 2017, which does not form part of this report.

Future developments

The Directors intend that the Company will continue to provide financing in Canadian dollars to other companies in the Group for the foreseeable future. The Group continues to implement the results of the 2015 strategic review. This implementation includes a review of how the Group's businesses are structured and may result in future changes to underlying subsidiary business operations including those of the Company


Exit from the European Union

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. Many details of the implementation process remain unclear. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal agreement and these 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 2017 (continued)

Approved by the Board on 13 September 2018 and signed on its behalf by:

 KATE HUDSON
.....
Company Secretary

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

Centrica Finance (Canada) Limited

Directors' Report for the Year Ended 31 December 2017

The Directors present their report and the Financial Statements for the year ended 31 December 2017.

Directors of the Company

The Directors who held office during the year and up to the date of signing were as follows:

I G Dawson

C Redcliffe

A Page (resigned 31 December 2017)

The following director was appointed after the year end:

A Todd - Director (appointed 1 January 2018)

Results and dividends

The results of the Company are set out on page 9. The profit for the financial year ended 31 December 2017 is £16,941,000 (2016: £115,994,000). The directors do not recommend the payment of a dividend (2016: £nil).

Future developments

Future developments are discussed in the Strategic Report on page 1.

Going concern

The Financial Statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the Financial Statements are authorised.

Directors' and officers' liabilities

Directors' and officers' liability insurance 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 is proved to have acted fraudulently.

Centrica Finance (Canada) Limited

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

Statement of Directors' Responsibilities

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

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

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

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

Disclosure of information to the 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 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.

Auditors

Following a rigorous selection process by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing from 1 January 2017. Consequently, PricewaterhouseCoopers LLP ('PwC') ceased to hold office as auditor of the Company in 2017.

Pursuant to Section 519 of the Companies Act 2006, PwC has confirmed that there are no circumstances in connection with their ceasing to hold office that need to be brought to the attention of the members or creditors of the Company.

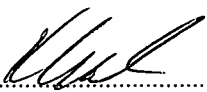
Following the resignation of PwC as auditors of the Company and, pursuant to Section 487 of the Companies Act 2006, Deloitte LLP were appointed as auditors of the Company.

Centrica Finance (Canada) Limited

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

Statement of Directors' Responsibilities (continued)

Approved by the Board on 13 September 2018 and signed on its behalf by:

 KATE HUDSON
.....
Company Secretary

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
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SL4 5GD

Centrica Finance (Canada) Limited

Independent Auditor's Report to the Members of Centrica Finance (Canada) Limited

Report on the financial statements

Opinion

In our opinion, Centrica Finance (Canada) 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Centrica Finance (Canada) Limited which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 15

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 (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.

Basis for opinion

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

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

Conclusions related to going concern

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

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

We have nothing to report in respect of these matters.

Centrica Finance (Canada) Limited

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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

Centrica Finance (Canada) Limited

Independent Auditor's Report to the Members of Centrica Finance (Canada) Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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.

D. Winstone

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

13 September 2018

Centrica Finance (Canada) Limited

Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Finance income	5	43,328	122,187
Finance costs	5	<u>(19,157)</u>	<u>(175)</u>
Profit before income tax		24,171	122,012
Income tax expense	7	<u>(7,230)</u>	<u>(6,018)</u>
Profit for the financial year		<u>16,941</u>	<u>115,994</u>

The above results were derived from continuing operations.

The notes on pages 13 to 23 form an integral part of these financial statements.

Centrica Finance (Canada) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

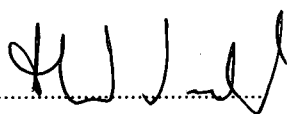
	2017 £ 000	2016 £ 000
Profit for the financial year	16,941	115,994
Other comprehensive income	-	-
Total comprehensive income for the year	<u>16,941</u>	<u>115,994</u>

Centrica Finance (Canada) Limited

Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Investments	8	<u>354,142</u>	<u>354,142</u>
Current assets			
Trade and other receivables	9	1,029,223	916,264
Total assets		<u>1,383,365</u>	<u>1,270,406</u>
Current liabilities			
Trade and other payables	10	<u>(500,503)</u>	<u>(404,485)</u>
Net assets		<u>882,862</u>	<u>865,921</u>
Equity			
Called up share capital	11	462,002	462,002
Retained earnings		<u>420,860</u>	<u>403,919</u>
Total equity		<u>882,862</u>	<u>865,921</u>

The financial statements on pages 9 to 23 were approved and authorised for issue by the Board of Directors on 13 September 2018 and signed on its behalf by:



A Todd

Director

Company number 04055254

Centrica Finance (Canada) Limited

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

	Called up share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	462,002	403,919	865,921
Profit for the financial year and total comprehensive income	-	16,941	16,941
At 31 December 2017	<u>462,002</u>	<u>420,860</u>	<u>882,862</u>
	Called up share capital £ 000	Retained Earnings £ 000	Total equity £ 000
At 1 January 2016	462,002	287,925	749,927
Profit for the financial year and total comprehensive income	-	115,994	115,994
At 31 December 2016	<u>462,002</u>	<u>403,919</u>	<u>865,921</u>

Centrica Finance (Canada) Limited

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

1 General information

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

The 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 2.

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.

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

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

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

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;

Centrica Finance (Canada) Limited

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

2 Accounting policies (continued)

- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

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

- disclosures of the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

These financial statements are presented in pounds sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company. The functional currency operations and transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

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

Going concern

The Financial Statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the Financial Statements are authorised.

Exemption from preparing group financial statements

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.

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.

Revenue recognition

Finance income

Finance 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.

Centrica Finance (Canada) Limited

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

2 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the 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.

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 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 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.

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 balance sheet 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.

Centrica Finance (Canada) Limited

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

2 Accounting policies (continued)

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.

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 is reversed if and only if the reasons for the impairment have ceased to apply. 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.

Centrica Finance (Canada) Limited

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

2 Accounting policies (continued)

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 (although in practice the discounting is often immaterial) less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group may not be able to collect the trade receivable. 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 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.

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 inequity 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.

Centrica Finance (Canada) Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

Investment in subsidiaries

In the application of 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 the 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 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.

4 Employees' costs

There were no employees during the year (2016: Nil).

In respect of the Directors' remuneration, refer to note 13 'Related party transactions'.

5 Net finance income/costs

Finance income

	2017 £ 000	2016 £ 000
Interest income from amounts owed by group undertakings	43,328	30,264
Net foreign exchange gains on financing transactions	-	91,923
Total finance income	43,328	122,187

Finance costs

	2017 £ 000	2016 £ 000
Interest on amounts owed to group undertakings	(5,762)	(175)
Net foreign exchange losses on financing transactions	(13,395)	-
Total finance costs	(19,157)	(175)
Net finance income	24,171	122,012

Centrica Finance (Canada) Limited

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

6 Auditor's remuneration

Auditor's remuneration amounted to £7,500 in 2017 (2016: £12,995).

Auditor's remuneration relates to fees for the audit of the financial statements of the Company. The prior year audit fee includes both the fee for the statutory audit of the financial statements and an allocation of the audit fee for the Group's consolidated financial statements.

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.

Centrica Finance (Canada) Limited

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

7 Income tax

Tax cost in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax at 19.25% (2016: 20%)	<u>7,230</u>	<u>6,018</u>

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

	2017 £ 000	2016 £ 000
Profit before tax at 19.25% (2016: 20%)	<u>24,171</u>	<u>122,012</u>
Tax expense at standard UK rate	<u>4,652</u>	<u>24,402</u>
Effects of:		
Net expenses non-deductible for tax purposes	2,578	(18,384)
Decrease from transfer pricing adjustments	(2,403)	(2,213)
Increase (decrease) arising from group relief tax reconciliation	<u>2,403</u>	<u>2,213</u>
Total income tax expense	<u>7,230</u>	<u>6,018</u>

Factors that may affect future tax changes

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

Centrica Finance (Canada) Limited

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

8 Investments in subsidiaries

	Shares in group undertakings (subsidiaries) £ 000
Cost and net book value	
At 1 January 2017	354,142
At 31 December 2017	354,142

9 Trade and other receivables

	2017 £ 000	2016 £ 000
Amounts owed by group undertakings	1,029,223	916,264

Amounts owed by Centrica Overseas Holdings Limited of CAD 1,748,361,000 (£1,029,223,000) (2016: CAD 1,514,593,000 (£913,194,000)) 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 4.24% and 4.70%.

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

Centrica Finance (Canada) Limited

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

10 Trade and other payables

	2017 £ 000	2016 £ 000
Amounts owed to group undertakings	<u>500,503</u>	<u>404,485</u>

Amounts owed to Centrica plc of CAD 8,455,000 (£4,977,000) (2016: CAD 8,242,000 (£4,969,000)) accrues interest at a quarterly rate determine 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 4.28% and 4.69% (2016: 3.28% and 4.50%).

Amounts owed to Centrica Delta Limited of CAD 561,779,000 (£330,707,000) (2016: CAD 561,779,000 (£338,713,000)) is interest-free.

Amounts owed to Direct Energy Marketing Limited of CAD 244,724,000 (£144,064,000) (2016: CAD 79,708,000 (£48,005,000)) accrues interest at a quarterly Intra Group Finance rate. 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 5.28% and 5.51%.

The other amounts owed to group undertakings of £20,755,000 (2016: £12,798,000) were interest free.

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

11 Called up share capital

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares (fully paid) of C\$1 each	869,967	375,644	869,967	375,644
Ordinary Shares (partly paid) of C\$1 each	<u>200,000</u>	<u>86,358</u>	<u>200,000</u>	<u>86,358</u>
	<u>1,069,967</u>	<u>462,002</u>	<u>1,069,967</u>	<u>462,002</u>

Centrica Finance (Canada) Limited

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

12 Related undertakings

The company has related undertakings as follows:

Name	Principal activity	Country of incorporation	Registered address key (i)	Class of shares held	Direct investment and voting rights (%)	Indirect interest and voting rights (%)
Centrica Delta Limited	Dormant	Isle of Man	A	Ordinary shares	100%	

All companies principally operate within their country of incorporation.

List of registered addresses

(i) Registered address key

A	33-37 Athol Street, Douglas, IM1 1LB, Isle of Man
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13 Related party transactions

Directors' remuneration

The emoluments of all of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Centrica plc subsidiary undertakings. Accordingly no details in respect of their emoluments have been included in these financial statements.

14 Parent and ultimate parent undertaking

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

The ultimate parent 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.