

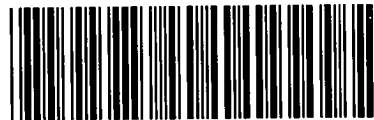
Registration number: 04055254

Centrica Finance (Canada) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Centrica Finance (Canada) Limited

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Centrica Finance (Canada) Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for Centrica Finance (Canada) Limited (the 'Company') for the year ended 31 December 2021.

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 financial position of the Company is presented in the Statement of Financial Position on page 12. Total equity as at 31 December 2021 was £1,054,712,000 (2020: £1,000,018,000). The profit for the financial year ended 31 December 2021 was £54,694,000 (2020: £43,369,000).

The Group has disposed of its North American supply, services and trading business, Direct Energy, to NRG Inc. The Company had funding arrangements in place for the Canadian business through Direct Energy Marketing Limited, as outlined in notes 9 and 10. When the sale was completed on 5 January 2021, these balances were settled and the funding arrangements ceased. The Company continues to provide Canadian Dollar financing to other UK entities and therefore, remains a part of the Group.

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 38-43 of the Group's Annual Report and Accounts 2021, 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.

Ukraine conflict

The Company is a subsidiary of the Centrica group, and as such is impacted by the energy crisis and Ukraine conflict. The energy markets remain very volatile, but the Centrica group continues to maintain a hedging strategy aligned to the price cap to minimise the exposure to market prices. The Company does not own any businesses or operate in Russia or Ukraine and so has no direct impacts from those two countries. Furthermore, the Company has no investments in Russian entities or bonds. The Company is not expecting any direct material impacts but will keep monitoring the position.

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 14-15 of the Group's Annual Report and Accounts 2021, 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

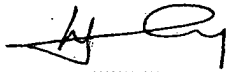
Strategic Report for the Year Ended 31 December 2021 (continued)

Future developments

On 5 January 2021, when the Direct Energy business was sold to NRG Inc, the balances as outlined in notes 9 and 10 were settled and the Company ceased the funding arrangements for the Canadian business through Direct Energy Marketing limited thereafter. However, the Company continues to provide Canadian Dollar financing to the UK entities.

On 30 May 2022, the Company's direct undertaking Centrica Delta Limited carried out a capital reduction leaving CAD 1 share capital. On 30 May 2022 Centrica Delta Limited then paid a dividend to the Company of CAD 714,568,110 (£448,328,331) which was settled by the clearance of the Company's inter-company balance per a Set-Off Deed of that date. The Company's investment as outlined in note 7 was subsequently impaired to a value of CAD 1.

Approved by the Board on 01/09/2022 and signed on its behalf by:



Lindsay Hegarty

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 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

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:

K B Ringrose (resigned 26 July 2021)

G J Kendall

R Roy

M Blake (appointed 26 July 2021)

Results and dividends

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2021 is £54,694,000 (2020: profit £43,369,000).

The Company did not pay an interim dividend during the year (2020: £nil) and the Directors do not recommend the payment of a final dividend (2020: £nil).

Financial risk management policy

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 2.

Going concern

The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will 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 for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

Centrica Finance (Canada) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Going concern (continued)

On 5 January 2021, the Group sold its North American supply, services and trading business, Direct Energy, to NRG Energy Inc. The Company had provided Canadian Dollar loans to the Canadian business of Direct Energy which were settled of as part of the transaction and the funding to the Canadian entities was ceased thereafter. The Company continues to provide Canadian Dollar financing to the UK entities and will remain a part of the Group. On this basis, the Company continues to be a going concern.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

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.

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.

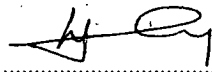
Centrica Finance (Canada) Limited

Directors' Report for the Year Ended 31 December 2021 (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 01/09/2022 and signed on its behalf by:



Lindsay Hegarty

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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Centrica Finance (Canada) Limited

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the documentation of the policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Centrica Finance (Canada) Limited

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

Centrica Finance (Canada) Limited

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

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: 1/9/22

Centrica Finance (Canada) Limited

Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Finance income	5	56,079	55,679
Finance costs	5	<u>(1,385)</u>	<u>(12,310)</u>
Net finance income		<u>54,694</u>	<u>43,369</u>
Profit before taxation		<u>54,694</u>	<u>43,369</u>
Profit for the year		<u>54,694</u>	<u>43,369</u>

The above results were derived from continuing operations.

Centrica Finance (Canada) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021	2020
	£ 000	£ 000
Profit for the year	<u>54,694</u>	<u>43,369</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>54,694</u>	<u>43,369</u>

Centrica Finance (Canada) Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Investments	8	<u>354,142</u>	<u>354,142</u>
		<u>354,142</u>	<u>354,142</u>
Current assets			
Trade and other receivables	9	1,075,551	1,038,467
Cash and cash equivalents		<u>-</u>	<u>71</u>
		<u>1,075,551</u>	<u>1,038,538</u>
Total assets		<u>1,429,693</u>	<u>1,392,680</u>
Current liabilities			
Trade and other payables	10	<u>(374,981)</u>	<u>(392,662)</u>
Net current assets		<u>700,570</u>	<u>645,876</u>
Total assets less current liabilities		<u>1,054,712</u>	<u>1,000,018</u>
Net assets		<u>1,054,712</u>	<u>1,000,018</u>
Equity			
Share capital	11	462,002	462,002
Retained earnings		<u>592,710</u>	<u>538,016</u>
Total equity		<u>1,054,712</u>	<u>1,000,018</u>

The financial statements on pages 10 to 23 were approved and authorised for issue by the Board of Directors on 01/09/2022 and signed on its behalf by:



M Blake
Director

Company number 04055254

Centrica Finance (Canada) Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021	462,002	538,016	1,000,018
Profit for the year	-	54,694	54,694
Total comprehensive income	-	54,694	54,694
At 31 December 2021	462,002	592,710	1,054,712

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	462,002	494,647	956,649
Profit for the year	-	43,369	43,369
Total comprehensive income	-	43,369	43,369
At 31 December 2020	462,002	538,016	1,000,018

The notes on pages 14 to 23 form an integral part of these financial statements.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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 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 UK adopted International Financial Reporting Standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company financial statements are presented in pounds sterling which is the functional currency of the Company.

Changes in accounting policy

From 1 January 2021, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IFRS 17 and IFRS 4: 'Insurance Contracts' - deferral of IFRS 9; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2.

None of these changes or amendments had any material impact on the Company's financial statements.

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

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will 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 for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

On 5 January 2021, the Group sold its North American supply, services and trading business, Direct Energy, to NRG Energy Inc. The Company had provided Canadian Dollar loans to the Canadian business of Direct Energy which were settled of as part of the transaction and the funding to the Canadian entities was ceased thereafter. The Company continues to provide Canadian Dollar financing to the UK entities and will remain a part of the Group. On this basis, the Company continues to be a going concern.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

Summary of significant accounting policies and key accounting estimates

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

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.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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.

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 accounted for at cost less, where appropriate, provisions for impairment.

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.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

- 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.

- 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.

- 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.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

In the Directors' opinion there are no key sources of estimation uncertainty at the reporting date.

4 Employee costs

The Company had no employees during the year (2020: 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

	2021 £ 000	2020 £ 000
Interest income from amounts owed by Group undertakings	44,191	55,679
Net foreign exchange gains on financing transactions	11,888	-
Total finance income	56,079	55,679

Finance cost

	2021 £ 000	2020 £ 000
Interest on amounts owed to Group undertakings	(1,385)	(3,415)
Net foreign exchange losses on financing transactions	-	(8,895)
Total finance costs	(1,385)	(12,310)
Net finance income	54,694	43,369

6 Auditors' remuneration

Auditors' remuneration totalling £9,420 (2020: £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.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Income tax

Tax charged in the Income Statement

2021	2020
£ 000	£ 000

Current taxation

UK corporation tax at 19% (2020: 19%)

- -

The main rate of corporation tax for the year to 31 December 2021 was 19% (2020: 19%). The Budget on 3 March 2021 announced that the rate of corporation will increase to 25% with effect from 1 April 2023. At 31 December 2021, the relevant UK deferred tax assets and liabilities included in these Financial Statements were measured at the prevailing rate applicable for the period when the underlying temporary differences are expected to reverse.

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

	2021 £ 000	2020 £ 000
Profit before tax	54,694	43,369
Tax on profit at standard UK corporation tax rate of 19% (2020: 19%)	(10,392)	(8,240)
Decrease/(increase) from effect of expenses not deductible in determining taxable profit	2,259	(1,689)
Decrease arising from group relief tax reconciliation	5,885	7,147
Decrease from transfer pricing adjustments	2,248	2,782
Total tax credit/(charge)	-	-

8 Investments

Subsidiaries

£ 000

Cost and net book value

At 1 January 2020	354,142
At 31 December 2020	354,142
At 1 January 2021	354,142
At 31 December 2021 ⁽ⁱ⁾	354,142

(i) Represents net book value of Company's Investment in Centrica Delta Limited at 31 December 2021. Refer note 12 for further details.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Investments (continued)

Details of the subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2021	2020
Centrica Delta Limited	Dormant	33-37 Athol Street, Douglas, IM1 1LB, Isle of Man Isle of Man	Ordinary shares	100%	100%

Centrica Delta Limited principally operates within its country of incorporation.

9 Trade and other receivables

	2021 Current £ 000	2020 Current £ 000
Amounts owed by Group undertakings	<u>1,075,551</u>	<u>1,038,467</u>

Amounts owed by Centrica Overseas Holdings Limited of CAD 1,842,676,000 (£1,075,551,000) (2020: CAD 1,809,280,000 (£1,038,467,000)) 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 3.97% and 4.67% (2020: 4.87% and 5.92%). The amounts due from Centrica Overseas Holding Limited are intended to be settled with in a period of twelve months from the reporting date.

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

10 Trade and other payables

	2021 Current £ 000	2020 Current £ 000
Amounts owed to Group undertakings	<u>(374,981)</u>	<u>(392,662)</u>

Amounts owed to Centrica plc of CAD 62,825,000 (£36,670,000) (2020: CAD 61,454,000 (£35,272,000)) 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 3.97% and 4.67% (2020: 4.87% and 5.92%).

All Canadian Dollar loans to the Canadian business of Direct Energy were settled (2020: CAD 42,757,000 (£24,541,000)) as a part of the sale on 5 January 2021 to NRG Inc. As a result, no interest was accrued for Direct Energy during the year and the range of quarterly rates charged was not applicable in 2021 (2020: 5.74% and 6.79%).

Amounts owed to Centrica Delta Limited of CAD 561,779,000 (£327,905,000) (2020: CAD 561,779,000 (£322,443,000)) is interest-free and is expected to settle with in twelve months of the reporting date as outlined in note 12.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Trade and other payables (continued)

The other amounts owed to Group undertakings of £10,406,000 (2020: £10,406,000) relate to Group relief payable and are interest-free.

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

11 Capital and reserves

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	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.

Centrica Finance (Canada) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Parent and ultimate parent undertaking (continued)

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

On 30 May 2022, the Company's direct undertaking Centrica Delta Limited carried out a capital reduction leaving CAD 1 share capital. On 30 May 2022, Centrica Delta Limited then paid a dividend to the Company of CAD 714,568,110 (£448,328,331) which was settled by the clearance of the Company's inter-company balance per a Set-Off Deed of that date. The Company's investment was subsequently impaired to a value of CAD 1.