Registered No: SC436640

Centrica Finance (Scotland) Limited

Annual Report and Financial Statements
For the year ended 31 December 2019

Centrica Finance (Scotland) Limited

Strategic Report for the year ended 31 December 2019

The Directors present the Strategic Report for Centrica Finance (Scotland) Limited ("the Company") for the year ended 31 December 2019.

Principal activities
The Company is general partner to the limited partnerships and limited liability partnerships that are part of the Centrica plc Group's ("the Group") Asset Backed Contribution ("ABC") structure. This structure allowed the Group to significantly increase funding to the Group's pension schemes, secured on Group assets.

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

The ABC structure provides funding to the Group's pension schemes for defined periods of up to 15 years.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to limited risks. The key activities are contracted for and certain. The principal risks and uncertainties for the Group, which include those of the Company, are discussed on pages 34 to 43 of the Group's 2019 Annual Report and Accounts which does not form part of this report.

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

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

The events described above arose after the Company's balance sheet date, and therefore there is no impact on the results or financial position of the Company as at 31 December 2019. The Company is supported by the Group, which has stated that it intends to support the Company for a period of at least 12 months from the date the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that there are a range of future potential financial impacts upon the Group as a result of the pandemic but, following assurances from the ultimate parent company underpinned by its detailed assessment, have satisfied themselves that the Group will be able to support the Company if required under all reasonably foreseeable circumstances. For more information refer to the Going Concern section of the Directors' Report on page 2.

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 results after tax. The results and dividends of the Company are shown in the Directors' Report on page 2. The Company has the financial support of the ultimate parent company, Centrica plc. The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy.

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

Approved by the Board on 30 June 2020 and signed on its behalf by:

S Hood

Samantha Hood

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

Company registered in Scotland, Registered Number SC436640

Registered office:
1 Waterfront Avenue
Edinburgh
Scotland
EH5 1SG
United Kingdom

The Directors present their report and the audited financial statements of Centrica Finance (Scotland) Limited for the year ended 31 December 2019.

Directors of the Company

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

M Blake
K Ringrose (appointed 18 November 2019)
A Todd (resigned 18 November 2019)

Results and dividends

The results of the Company are set out on page 6. The loss for the financial year ended 31 December 2019 is £356,000 (2018: profit of £122,655,603) including impairment of £nil (2018: £323,390,200).

The Company did not pay an interim dividend during the year to its immediate parent undertaking (2018: £471,570,000). The Directors do not recommend the payment of a final dividend.

Future developments

Future developments are discussed in the Strategic Report. Refer to page 1.

Going concern

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (stable) credit rating on 13 March and S&P confirmed a BBB (stable) credit rating on 31 March.

Non adjusting events after the financial period

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

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 under review. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Financial risk management

Details of the Group's financial risk management policy are set out on pages 174 to 178 of the Group's 2019 Annual Report and Accounts.

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.

Statement of Directors' Responsibilities in respect of the financial statements

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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

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 30 June 2020 and signed on its behalf by:

Samantha Hood

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

Company registered in Scotland, Registered Number SC436640

Registered office:
1 Waterfront Avenue
Edinburgh
Scotland
EH5 1SG
United Kingdom

Centrica Finance (Scotland) Limited

Independent Auditor's Report to the Directors of Centrica Finance (Scotland) Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Centrica Finance (Scotland) Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss 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 Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 14.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Use of our report

This report is made solely to the Company's directors, 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 directors 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

James A. Leigh

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James Leigh (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London
United Kingdom

Date: 30 June 2020

Centrica Finance (Scotland) Limited

Income Statement for the year ended 31 December 2019

	Note	2019	2018
		£000	£000
Income from Partnership undertakings	4	27	471,608
Impairment charge	5	-	(323,390)
Profit before taxation		27	148,218
Income Tax	7	(383)	(25,563)
(Loss)/ profit for the financial year		(356)	122,655

The results stated above are all derived from continuing operations.

There is no other comprehensive income for the year ended 31 December 2019 or for the prior year ended 31 December 2018.

The notes on pages 9 to 13 form part of these financial statements.

Centrica Finance (Scotland) Limited

Statement of Financial Position as at 31 December 2019

	Note	2019	2018
		£000	£000
Non-current assets			
Investments	9	115,881	115,881
Deferred tax asset	7	21,613	18,405
		137,494	134,286
Current assets			
Amounts owed by Group undertakings	10	159	130
Cash and cash equivalents		1	5
		160	135
Total assets		137,654	134,421
Current liabilities			
Trade and other payables	11	(74,418)	(70,829)
Net current liabilities		(74,258)	(70,694)
Total assets less current liabilities		63,236	63,592
Non-current liabilities		-	-
Total liabilities		(74,418)	(70,829)
Net assets		63,236	63,592
Equity			
Called up share capital	12	-	-
Retained earnings		63,236	63,592
Total equity		63,236	63,592

The financial statements on pages 6 to 13 were approved and authorised for issue by the Board of Directors on 30 June 2020 and were signed on its behalf by:

M Blake
Director

Company Number SC436640

The notes on pages 9 to 13 form part of these financial statements.

Statement of Changes in Equity as at 31 December 2019

		Called up share capital £000	Retained Earnings £000	Total equity £000
At 1 January 2018		-	412,507	412,507
Dividend	8	-	(471,570)	(471,570)
Profit for the financial year and total comprehensive income		-	122,655	122,655
At 31 December 2018		-	63,592	63,592
At 1 January 2019		-	63,592	63,592
Dividend	8	-	-	-
Loss for the financial year and total comprehensive expense		-	(356)	(356)
At 31 December 2019		-	63,236	63,236

The notes on pages 9 to 13 form part of these financial statements.

1. General information

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

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

1 Waterfront Avenue
Edinburgh
Scotland
EH5 1SG

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

2. Accounting policies and critical judgements

Basis of preparation

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly-owned subsidiary of Centrica plc. These financial statements present information about the Company as an individual undertaking and not about its Group, and have been prepared on a going concern basis, as described in the Directors' Report.

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.

Adoption of new standards

From 1 January 2019, the following standards and amendments are effective in the Company's financial statements. Their first-time adoption did not have an impact on the financial statements:

- IFRS 16: 'Leases'

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 effects of new but not yet effective IFRSs;
- 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 Centrica plc include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following disclosure:

- 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.

Measurement convention

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 financial statements are 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, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid to Centrica plc for the foreseeable future unless sufficient financial resources and facilities are available to the Company. The Directors are aware that while there are a range of future potential financial impacts upon the Group as a result of the COVID-19 pandemic, they have satisfied themselves that, following assurances from the ultimate parent company underpinned by its detailed assessment, the Group will be able to support the Company if required under all reasonably foreseeable circumstances. The key financial impacts to the Group are expected to be increasing levels of bad debt, reduced energy consumption from business customers, and the lockdown restricting the ability to carry out non-essential work in customer's homes and premises. The Group has substantial liquidity available to mitigate these adverse impacts and has also taken quick action to preserve cash as announced in the trading statement on 2nd April 2020. The trading statement announced that the final 2019 dividend was cancelled, plans have been made to reduce cash expenditure by around £400m and management bonus payments have been paused. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (stable) credit rating on 13 March and S&P confirmed a BBB (stable) credit rating on 31 March.

2. Accounting policies and critical judgements (continued)

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

The Company does not have any critical accounting judgements or other sources of estimation uncertainty that gives rise to a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year.

Investments in partnership undertakings
Fixed assets investments in partnership undertakings are held at cost in accordance with IAS 27 Consolidated and Separate Financial Statements, less any provision for impairment as necessary.

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. The Company does not deem its investments in partnership undertakings to be impaired and supports this judgement through its impairment review process.

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.

(a) 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.

(b) Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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.

(c) 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.

(d) 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.

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

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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 balance sheet 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 balances sheet date.

Critical judgements in applying the Company's accounting policies
The Directors have not made any critical judgements in the process of applying the Company's accounting policies.

3. Directors and employees

The emoluments 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.

The Company had no employees during the year (2018: none).

4. Income from Partnership undertakings

	2019	2018
	£000	£000
Income from Partnership undertakings	27	471,608

In 2019 the Company received investment income of £26,990. In 2018 £471,593,475 represents the distribution received following the wind-up of Finance Scotland CPS Limited Partnership on 2 February 2018 (see Note 9) and the remaining balance of £15,010 represents investment income.

5. Exceptional items – impairment charges

The following exceptional item was recognised in arriving at operating profit of the reporting period:

	2019	2018
	£000	£000
Impairment charge	-	323,390

The impairment charge arose on the winding up of Finance Scotland CPS LP and CF CPS LLP (see note 9).

6. Auditors' remuneration

Auditors' remuneration totalling £5,000 (2018: £5,000) relates to fees for the audit of the statutory financial statements of the Company, which is borne by Centrica plc.

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 statements of its ultimate parent, Centrica plc

7. Income Tax

	2019	2018
	£000	£000
Current tax		
UK corporation tax at 19.00% (2018: 19.00%)	3,595	3,473
Adjustment in respect of prior years	(4)	-
Total current tax	3,591	3,473
Deferred tax		
Current year	(3,589)	24,689
Adjustment in respect of previous period	3	-
Changes in tax rates	378	(2,599)
Total deferred tax	(3,208)	22,090
Total tax on (loss)/ profit	383	25,563

The main rate of corporation tax for the year to 31 December 2019 was 19%. The corporation tax rate was due to reduce to 17% with effect from 1 April 2020. However, at the Budget on 11 March 2020 it was announced that the rate of corporation tax will remain at 19%. As substantive enactment of the 19% corporation tax rate is after the balance sheet date, the deferred tax balances provided in these financial statements reflect the enacted rate of 17%. For future reporting dates after the enactment of the Finance Bill 2020, the deferred tax balances provided are expected to increase by £2.5m and will be reflected in the financial statements for the year ended 31 December 2020.

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before taxation are as follows:

7. Income Tax (continued)	2019	2018
	£000	£000
Profit before taxation	27	148,218
Tax on (loss)/ profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	5	28,162
Effects of:		
Tax rate changes	378	(2,599)
Total current tax	383	25,563

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

	2019	2018
	£000	£000
On 1 January	18,405	40,495
Adjustment in respect of prior years	(3)	-
(Charged)/credited to the Income Statement	3,211	(22,090)
As at 31 December	21,613	18,405

8. Dividends paid and proposed

	2019	2018
Declared and paid during the year	£000	£000
Interim dividend of £nil (2018: £471,570,000) per ordinary share	-	471,570

The Company did not pay an interim dividend during the year (2018: £471,570,000). The Directors do not recommend the payment of a final dividend (2018: £nil).

9. Investments

Investment cost in partnership undertakings

	2019	2018
Cost and net book value	£000	£000
At 1 January	115,881	439,271
Impairment of investment in Finance Scotland CPS Limited Partnership	-	(323,390)
At 31 December	115,881	115,881

On 2 February 2018, Finance Scotland CPS Limited Partnership (FS CPS LP) was wound up and in accordance with the limited partnership agreement the Company received a distribution of £471,593,475. The Company subsequently impaired its investment in FS CPS LP to £nil.

The Directors believe that the book value of investments at 31 December 2019 is supported by the value of the underlying assets. Investments in partnership undertakings represent the Company's interests in the following:

Partnership undertaking	Country of incorporation	Registered office	Principle activity
Finance Scotland CEPS Limited Partnership; Finance Scotland CPP Limited Partnership; and Finance Scotland 2016 Limited Partnership	Scotland	1 Waterfront Avenue Edinburgh Scotland EH5 1SG	Group financing
CFCEPS LLP; CFCPP LLP; and CF 2016 LLP	England and Wales	Millstream, Maidenhead Road, Windsor, England, SL4 5GD	Group financing

The results of all undertakings are reported in the consolidated financial statements of Centrica plc.

10. Amounts owed by Group undertakings

	2019	2018
	£000	£000
Amounts owed by Group undertakings	159	130

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

11. Trade and other payables

	2019	2018
	£000	£000
Amounts owed to Group undertakings	74,418	70,829
Other payables	-	-
	74,418	70,829

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

12. Called up share capital

	2019
	£000
Authorised, issued, allotted and fully paid:	
At 1 January and 31 December, 1 ordinary share of £1	-

13. Parent and ultimate parent undertaking

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

The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD, 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.

The most senior parent entity producing publicly available financial statements is Centrica plc.

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

The registered address of Centrica plc is:

Millstream,
Maidenhead Road,
Windsor,
SL4 5GD
United Kingdom

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

14. Non adjusting events after the financial period

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