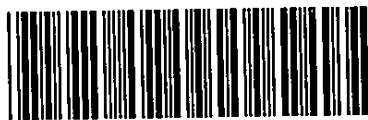


Registered No: SC436640

Centrica Finance (Scotland) Limited

**Directors' Report, Strategic Report and Financial Statements
For the period ended 31 December 2013**

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Centrica Finance (Scotland) Limited

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Centrica Finance (Scotland) Limited

Strategic report for the period ended 31 December 2013

The Directors present their Strategic report for Centrica Finance (Scotland) Limited (the Company) for the period ended 31 December 2013.

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 held by GB Gas Holdings Limited and Humberland Limited.

Review of business and future activities

The Company was incorporated on 12 November 2012. The ABC structure was implemented on 31 December 2012 and 27 March 2013. The ABC structure provides funding to the Group's pension schemes for defined periods up to 15 years.

The financial position of the Company is presented in the balance sheet on page 7. Shareholders' funds at 31 December 2013 were £667,323,000.

Results

The loss on ordinary activities after taxation for the period ended 31 December 2013 is £2,097,000.

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 42 - 48 of the Group's 2013 Annual Report and Accounts which does not form part of this report. Copies of the Annual Report of Centrica plc may be obtained from www.centrica.com.

Key performance indicators ("KPIs")

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the business are net assets and results after tax and these are shown above. Although the Company made a loss in the period this is in line with expectations, and the company is expected to make a profit on its current trading arrangements.

This Strategic report was approved by the board on 4 August 2014.



For and on behalf of Centrica Secretaries Limited
Company Secretary
4 August 2014.

Company registered in Scotland, Registered Number SC436640
Registered office:
IQ Building
15 Justice Mill Lane
Aberdeen
AB11 6EQ

Centrica Finance (Scotland) Limited

Directors' report for the period ended 31 December 2013

The Directors present their report and the audited financial statements of Centrica Finance (Scotland) Limited for the period ended 31 December 2013.

Future developments

The Directors intend that the Company will act as an investment holding company for the foreseeable future.

Results and dividends

The loss on ordinary activities after taxation for the period ended 31 December 2013 is £2,097,000.

The company did not pay an interim dividend during the period. The Directors do not recommend the payment of a final dividend.

Financial position

The financial position of the Company is presented in the balance sheet on page 7. Shareholders' funds at 31 December 2013 were £667,323,000.

Directors

The following served as Directors during the period and up to the date of signing of the financial statements:

J Bell (appointed 12 November 2012)
P Tanner (appointed 12 November 2012)
P Hedley (appointed 12 November 2012; resigned 25 October 2013)

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 period 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 145 - 149 of the Group's 2013 Annual Report and Accounts.

Group Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, where status is kept under review

Statement of Directors' responsibilities

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

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

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

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

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

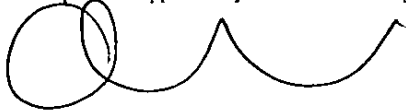
Centrica Finance (Scotland) Limited

Directors' report for the period ended 31 December 2013 (continued)

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the board on 4 August 2014.



For and on behalf of Centrica Secretaries Limited
Company Secretary
4 August 2014.

Company registered in Scotland, Registered Number SC436640
Registered office:
IQ Building
15 Justice Mill Lane
Aberdeen
AB11 6EQ

Centrica Finance (Scotland) Limited

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Centrica Finance (Scotland) Limited, comprise:

- the Balance Sheet as at 31 December 2013
- the Profit and Loss account for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report and Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Centrica Finance (Scotland) Limited

Independent auditors' report to the members of Centrica Finance (Scotland) Limited (continued)

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

John Dashwood (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium,
1 Harefield Road,
Uxbridge
UB8 1EX
4 August 2014

Centrica Finance (Scotland) Limited

Profit and loss account for the 14 months ended 31 December 2013

	Notes	2013 £000
Income from group undertakings	4	15
Profit on ordinary activities before taxation		<u>15</u>
Tax on profit on ordinary activities	5	(2,112)
Loss for the financial period	11	<u><u>(2,097)</u></u>

All amounts relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the period stated above and its historic cost equivalents.

There are no recognised gains or losses other than those included in the results above, and accordingly no separate statement of total recognised gains and losses has been presented.

A reconciliation of movements in shareholders' funds is shown in note 11.

The notes on pages 8 to 11 form part of these financial statements.

Centrica Finance (Scotland) Limited

Balance sheet as at 31 December 2013

	Notes	2013 £000
Fixed assets		
Investments	6	<u>669,421</u>
		669,421
Current assets		
Debtors	7	12,996
Creditors: amounts falling due within one year	8	(15,094)
Net current liabilities		<u>(2,098)</u>
Total assets less current liabilities being net assets		<u><u>667,323</u></u>
Capital and reserves		
Called up share capital	9	669,420
Profit and loss account	10	<u>(2,097)</u>
Total shareholders' funds		<u><u>667,323</u></u>

The financial statements on pages 6 to 11 were approved and authorised for issue by the Board of Directors on 4 August 2014 and were signed on its behalf by:



J Bell
Director

Registered Number SC436640

The notes on pages 8 to 11 form part of these financial statements.

Centrica Finance (Scotland) Limited

Notes to the financial statements for the period ended 31 December 2013

1. Principal accounting policies

Accounting principles

The financial statements have been prepared in accordance with applicable UK accounting standards, consistently applied, and under the historical cost convention and the Companies Act 2006.

Basis of preparation

The Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Exemptions

The Company is a wholly owned subsidiary undertaking of Centrica plc and is included in the consolidated financial statements of Centrica plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 the Companies Act 2006.

The Company has also taken advantage of the exemptions within: Financial Reporting Standard No 1 (Revised) "Cash-Flow Statements" from presenting a cash flow statement; and within Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other Group companies.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are included in the balance sheet at cost, less accumulated provisions for any impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Financial instruments

Share capital: Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received.

Interest bearing debts and loans: All interest bearing debts and loans are initially stated at the amount of the net proceeds for debt and costs for loans. After initial recognition, the carrying amounts of interest bearing loan receivables and payables are increased by the finance income and finance costs respectively. The carrying amounts are reduced by the payment or repayment of amounts owing under loan receivables and payables respectively.

The Company is exempted by FRS 29 from providing detailed disclosures in respect of its financial instruments because it does not apply FRS 26.

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 substantially enacted by the balance sheet date. Taxable profits or losses are subject to group relief payable at prevailing rates.

Deferred tax is recognised at full undiscounted value in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

2. Directors and employees

The emoluments of both 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 period.

3. Auditor's remuneration

Auditors' remuneration totalling £5,000 relates to fees for the audit of the UK GAAP statutory financial statements of the Company. The auditors' remuneration of £5,000 is borne by Centrica plc.

Centrica Finance (Scotland) Limited

Notes to the financial statements for the period ended 31 December 2013 (continued)

4. Income from Group undertakings

	2013
	£000
Income from Group undertakings	<u>15</u>

5. Tax on profit on ordinary activities

(a) Analysis of tax charge in the period	2013
	£000
The tax (charge)/credit comprises:	
Current tax:	
United Kingdom corporation tax at 23.25%	(15,093)
Deferred tax:	
Origination and reversal of timing differences	15,090
Effect of changes in tax rates	(2,109)
Total tax	<u>(2,112)</u>

(b) Factors affecting the tax charge for the period

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

	2013
	£000
Profit on ordinary activities before taxation	<u>15</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.25%	(3)
Effects of:	
Timing differences on undistributed partnership profits	<u>(15,090)</u>
Current tax charge for the period	<u>(15,093)</u>

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. Further reductions to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted in Finance Act 2013 and have been reflected in these financial statements.

Centrica Finance (Scotland) Limited

Notes to the financial statements for the period ended 31 December 2013 (continued)

6. Investments

Investment cost in partnership undertakings	£000
Cost	
Additions in the period	669,421
At 31 December 2013	<u><u>669,421</u></u>

The Directors believe that the book value of investments is supported by the value of the underlying assets. Investments in partnership undertakings represent the Companies interests in the following:

Partnership undertaking	Country of incorporation	Registered office	Principle activity
Centrica Finance Limited Partnership; Finance Scotland CEPS Limited Partnership; Finance Scotland CPP Limited Partnership and Finance Scotland CPS Limited Partnership	Scotland	IQ Building, 15 Justice Mill Lane, Aberdeen.	Group financing
CFCEPS LLP; CFCPP LLP; CFCPS LLP	England and Wales	Millstream, Maidenhead Road Windsor, England	Group financing

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

7. Debtors

	2013
	£000
Amounts falling due within one year:	
Amounts owed by Group undertakings	15
Deferred tax	12,981
	<u><u>12,996</u></u>

Amounts owed by Group undertakings are unsecured and interest free repayable on demand. The deferred tax asset arises on short term timing differences and is expected to reverse. There is no difference between the amount recognised above and the total potential deferred tax. The movement on deferred tax is analysed as follows:

	£000
Credit to profit and loss account	12,981
As at 31 December 2013	<u><u>12,891</u></u>

8. Creditors: amounts falling due within one year

	2013
	£000
Amounts owed to Group undertakings	<u><u>15,094</u></u>

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

9. Called up share capital

	2013
	£000
Authorised, issued, allotted and fully paid:	
669,420,001 ordinary shares of £1 each	<u><u>669,420</u></u>

On 18 December 2012 the Company issued 230,150,000 ordinary shares of £1 each at par. On 27 March 2013 a further 439,270,000 ordinary shares of £1 each were issued at par.

Centrica Finance (Scotland) Limited

Notes to the financial statements for the period ended 31 December 2013 (continued)

10. Reconciliation of movement in profit and loss account

	£000
Loss for the financial period	<u>(2,097)</u>
As at 31 December 2013	<u><u>(2,097)</u></u>

11. Reconciliation of movements in shareholders' funds

	2013 £000
Shares issued	669,420
Retained loss for the financial period	<u>(2,097)</u>
Net addition to shareholders' funds	667,323
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u><u>667,323</u></u>

12. 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, 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