

Registration number: 03275445

Centrica Business Solutions Management Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



Centrica Business Solutions Management Limited

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Centrica Business Solutions Management Limited

Strategic Report for the Year Ended 31 December 2019

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

Principal activity

The principal activities of the Company during the year were the holding of investments in subsidiary companies.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in a way that he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to various other stakeholder interests - below are the six key factors:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In discharging our Section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of Centrica Group entities. The Directors remain conscious that their decisions could have an impact on other stakeholders where relevant. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances.

We delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. The directors consider the Company's activities and make decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. In 2019 we did not recommend the payment of a final dividend. In making our decision we considered a range of factors including the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and the expectations of our shareholder as the supplier of long-term equity capital to the Company.

As the principal activity of the Company is to provide services to other Centrica Group entities, its stakeholders during the period include other Centrica Group companies and as such the breath of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors.

Review of the business

During November 2019, the Company purchased four investments from Centrica Nederland BV. These were, Panoramic Power Ltd, Centrica Business Solutions Belgium NV, Centrica Business Solutions Mexico S.A. de C.V. and Centrica Business Solutions Ireland Limited. The Company paid £95,097,000 for these four companies, causing the large investments movement within the year.

Principal risks and uncertainties

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

Centrica Business Solutions Management Limited

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

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. This has had an impact on the operations of our subsidiaries but have responded to these challenges as deemed appropriate for each subsidiary. The full impact of the pandemic on the Company is uncertain, but the Directors are confident that the measures taken to ensure the key priorities of the Company are protected put the Company in a strong position to be able to manage the resultant economic challenges.

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 4.

Key performance indicators ('KPIs')

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 18-19 of the Group's Annual Report and Accounts 2019, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 4.

Centrica Business Solutions Management Limited

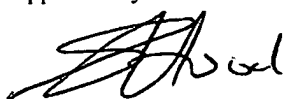
Strategic Report for the Year Ended 31 December 2019 (continued)

Future developments

In the future it is expected that the Company will continue to provide management and support services to Centrica.

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 06/11/2020 and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 03275445

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

Centrica Business Solutions Management Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors of the Company

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

Richard McCord (resigned 6 November 2019)

Mark Futyan (resigned 9 December 2019)

Jorge Pikunic (appointed 9 December 2019)

Michael Dennis (appointed 6 November 2019)

Results and dividends

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2019 is £1,886,000 (2018: profit £55,753,000).

Dividends of £nil were paid for the year ended 31 December 2019 (2018: £150,000,000). The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2019 (2018: £nil)

Objectives and policies

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

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

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

Future developments

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

Centrica Business Solutions Management Limited

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

Going concern

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

Events after the reporting 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. 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:

Centrica Business Solutions Management Limited

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

- 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.

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 06/11/2020 and signed on its behalf by:



Samantha Hood

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

Company registered in England and Wales, No. 03275445
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
United Kingdom

Centrica Business Solutions Management Limited

Independent Auditors' Report to the Members of Centrica Business Solutions Management Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centrica Business Solutions Management Limited (the 'Company'):

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

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 17.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Centrica Business Solutions Management Limited

Independent Auditors' Report to the Members of Centrica Business Solutions Management Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Centrica Business Solutions Management Limited

Independent Auditors' Report to the Members of Centrica Business Solutions Management Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

Date:.....

Centrica Business Solutions Management Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	-	782
Cost of sales	5	<u>-</u>	<u>(155)</u>
Gross profit		-	627
Operating costs	5	<u>(927)</u>	<u>(102)</u>
Operating (loss)/profit		<u>(927)</u>	<u>525</u>
Finance income	7	3,262	56,596
Finance costs	7	<u>(423)</u>	<u>-</u>
Net finance income		<u>2,839</u>	<u>56,596</u>
Profit before taxation		1,912	57,121
Taxation on profit	10	<u>(26)</u>	<u>(1,368)</u>
Profit for the year from continuing operations		<u><u>1,886</u></u>	<u><u>55,753</u></u>

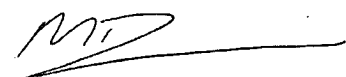
There were no recognised gains and losses in either period other than those shown above and accordingly no separate Statement of Comprehensive Income has been included in the Financial Statements.

Centrica Business Solutions Management Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Property, plant and equipment	11	28	-
Deferred tax assets	10	81	107
Investments	12	<u>97,094</u>	<u>1,997</u>
		97,203	2,104
Current assets			
Trade and other receivables	13	<u>17</u>	<u>64,047</u>
Total assets		<u>97,220</u>	<u>66,151</u>
Current liabilities			
Trade and other payables	14	<u>(29,426)</u>	<u>(243)</u>
Net current (liabilities)/assets		<u>(29,409)</u>	<u>63,804</u>
Total assets less current liabilities		<u>67,794</u>	<u>65,908</u>
Net assets		<u>67,794</u>	<u>65,908</u>
Equity			
Share capital	15	1	1
Retained earnings		<u>67,793</u>	<u>65,907</u>
Total equity		<u>67,794</u>	<u>65,908</u>

The financial statement on pages 10 to 25 were approved and authorised for issue by the Board of Directors on 06/11/2020 and signed on its behalf by:



Michael Dennis
Director

Company number 03275445

Centrica Business Solutions Management Limited

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

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	1	65,907	65,908
Profit for the year	-	1,886	1,886
Total comprehensive income	-	1,886	1,886
At 31 December 2019	1	67,793	67,794

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	1	160,154	160,155
Profit for the year	-	55,753	55,753
Total comprehensive income	-	55,753	55,753
Dividends	-	(150,000)	(150,000)
At 31 December 2018	1	65,907	65,908

Centrica Business Solutions Management Limited

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

1 General information

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

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

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

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

2 Accounting policies

Basis of preparation

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

Changes in accounting policy

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

- IFRS 16: 'Leases'

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

Changes resulting from adoption of IFRS 16

IFRS 16: 'Leases'

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

Summary of disclosure exemptions

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

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

Centrica Business Solutions Management Limited

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

2 Accounting policies (continued)

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

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

- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;
- 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.

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 2 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 were paused. In July 2020 it was decided that management bonus payments would be cancelled. The Group going concern assessment included various sensitivities including the impacts of lower commodity pricing and a credit rating downgrade as well as mitigating actions such as reduction in capital expenditure and dividend reductions. The Centrica plc Board remains committed to maintaining a strong balance sheet. Moody's confirmed a Baa2 (negative) credit rating on 28 July and S&P confirmed a BBB (negative) credit rating on 30 July.

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.

Centrica Business Solutions Management Limited

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

2 Accounting policies (continued)

Revenue recognition

The Company adopted IFRS 15: 'Revenue from contracts with customers' from 1 January 2018. The primary impact of application is the revision of accounting policies to reflect the five-step approach to revenue recognition required by IFRS 15. All revenue for the Company has been assessed to be within the scope of IFRS 15. This resulted in no changes to amounts previously recognised in the financial statements.

The Company's primary revenue stream is from managerial, operation and support services and is recognised over the period of the contract as these services are provided which is considered to be the performance obligation. Any cash received in advance of revenue being recognised is held within the balance sheet as a contract liability. Any revenue accrued but not yet invoiced is held within the balance sheet as a contract asset.

Cost of Sales

Cost of sales includes those costs directly incurred in the provision of management and support services.

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.

Dividend income

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

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 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 Business Solutions Management Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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.

Property, plant and equipment ('PP&E')

PP&E is included in the Statement of Financial Position at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Investments in subsidiaries

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

Financial assets and liabilities

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

- Trade and other receivables

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

- Trade and other payables

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

- 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.

Centrica Business Solutions Management Limited

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

2 Accounting policies (continued)

- Cash and cash equivalents

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

- Loans and other borrowings

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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

Investments in subsidiaries, associates and joint-ventures

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

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2019	2018
	£ 000	£ 000
Managerial, operational and support services	-	782

Centrica Business Solutions Management Limited

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

5 Analysis of costs by nature

	2019			2018		
	Cost of sales £ 000	Operating costs £ 000	Total costs £ 000	Cost of sales £ 000	Operating costs £ 000	Total costs £ 000
Depreciation	-	(6)	(6)	-	-	-
Recharges	-	(654)	(654)	-	-	-
Facilities and property costs	-	(63)	(63)	-	-	-
Other cost of sales	-	-	-	(155)	-	(155)
Other operating costs	-	(39)	(39)	-	(102)	(102)
Contractor, consultancy and other professional services	-	(165)	(165)	-	-	-
Total costs by nature	-	(927)	(927)	(155)	(102)	(257)

6 Employees' costs

The Company has no direct employees as of 31 December 2019 (2018: nil). However, central payroll costs amounting to £nil (2018: 117,000) were incurred through a recharge during the period in respect of an average of nil (2018: 3) staff providing services to Centrica Business Solutions Management Limited under an employee services agreement with a Centrica plc Group company. Also under this agreement additional pension costs of £nil (2018: £18,000) have been incurred from the Group company, Centrica plc.

7 Net finance income/cost

Finance income

	2019 £ 000	2018 £ 000
Interest income from amounts owed by Group undertakings	3,262	6,596
Dividend income	-	50,000
Total finance income	3,262	56,596

Finance cost

	2019 £ 000	2018 £ 000
Interest on amounts owed to Group undertakings	(420)	-
Net foreign exchange losses on financing transactions	(3)	-
Total finance costs	(423)	-
Net finance income/(cost)	2,839	56,596

Centrica Business Solutions Management Limited

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

7 Net finance income/cost (continued)

Interest payable to other Group undertakings is accrued at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.20% and 4.90% per annum during 2019 (2018: 3.72% and 4.13%).

8 Directors' remuneration

The Directors were remunerated as employees of Centrica plc Group and did not receive any remuneration, from any source, for their services as Directors of the Company during the current or preceding financial year. Accordingly, no details in respect of their emoluments have therefore been included in these financial statements.

9 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Financial Statements provided to the Company.

	2019 £ 000	2018 £ 000
Audit fees	<u>(20)</u>	<u>(20)</u>

Auditors' remuneration 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.

10 Income tax

Tax charged/(credited) in the Income Statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax at 19% (2018: 19%)	-	1,347
Deferred taxation		
Origination and reversal of temporary differences	17	21
Changes in tax rates	<u>9</u>	<u>-</u>
Total deferred taxation	<u>26</u>	<u>21</u>
Taxation on profit	<u>26</u>	<u>1,368</u>

Centrica Business Solutions Management Limited

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

10 Income tax (continued)

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

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

	2019 £ 000	2018 £ 000
Profit before tax	<u>1,912</u>	<u>57,121</u>
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	363	10,853
Decrease (increase) from effect of revenues exempt from taxation	-	(9,500)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	-	15
Increase (decrease) arising from group relief tax reconciliation	117	438
Increase (decrease) from transfer pricing adjustments	(463)	(438)
Deferred tax expense (credit) relating to changes in tax rates or laws	<u>9</u>	<u>-</u>
Total tax charge	<u>26</u>	<u>1,368</u>

Deferred tax

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

	Accelerated tax depreciation £000	Total £ 000
1 January 2019	107	107
Charged/(credited) to the Income Statement	<u>(26)</u>	<u>(26)</u>
31 December 2019	<u>81</u>	<u>81</u>

The deferred tax liabilities payable after 12 months are £nil (2018: £nil)

	Accelerated tax depreciation £000	Total £ 000
1 January 2018	128	128
Charged/(credited) to the Income Statement	<u>(21)</u>	<u>(21)</u>
31 December 2018	<u>107</u>	<u>107</u>

Centrica Business Solutions Management Limited

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

11 Property, plant and equipment

	Plant, equipment and vehicles £ 000	Total £ 000
Cost		
Additions	36	36
At 31 December 2019	36	36
Accumulated depreciation and impairment		
Charge for the year	(8)	(8)
At 31 December 2019	(8)	(8)
Net book value		
At 31 December 2019	28	28
At 31 December 2018	-	-

12 Investments

	£ 000
Subsidiaries	
Cost or valuation	
At 1 January 2019	55,681
Additions	95,097
At 31 December 2019	150,778
Provision	
At 1 January 2019	(53,684)
At 31 December 2019	(53,684)
Net book value	
At 31 December 2019	97,094
At 31 December 2018	1,997

During November 2019, the Company purchased 4 investments from Centrica Nederland BV. These were:
 Panoramic Power Limited with a purchase price of £2,721,000
 Centrica Business Solutions Belgium NV with a purchase price of £91,162,000
 Centrica Business Solutions Mexico S.A. DE C.V. with a purchase price of £957,000
 Centrica Business Solutions Ireland Limited with a purchase price of £257,000.

Centrica Business Solutions Management Limited

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

12 Investments (continued)

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

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
Centrica Business Solutions International Limited*	Holding	Millstream Maidenhead Road Windsor Berkshire SL4 5GD England and Wales	Ordinary	100%	100%
Centrica (Lincs) Wind Farm Limited*	Holding	Millstream Maidenhead Road Windsor Berkshire SL4 5GD England and Wales	Ordinary	100%	100%
Distributed Energy Customer Solutions Limited*	Energy management products and services	Millstream Maidenhead Road Windsor Berkshire SL4 5GD England and Wales	Ordinary	100%	100%
Distributed Energy Asset Solutions Limited*	Dormant	Millstream Maidenhead Road Windsor Berkshire SL4 5GD England and Wales	Ordinary	100%	100%
Centrica Business Solutions Belgium NV*	Demand response aggregation	Posthofbrug 12 2600 Antwerp Belgium	Ordinary	99.98%	0%
Panoramic Power Limited*	Energy management products and services	15 Atir Yeda Street Kfar Saba 44643 Israel	Ordinary	100%	0%
Centrica Business Solutions Mexico S.A. DE C.V.*	Energy management products and services	Presidente Masaryk No. 61, Piso 7, México, D.F. CP 11570 Mexico	Class 1	99.87%	0%

Centrica Business Solutions Management Limited

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

12 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
Centrica Business Solutions Ireland Limited*	Holding	1 the Seapoint Building Clontarf Dublin 3 Republic of Ireland	Ordinary	100%	0%
Celtic Array Limited*	Development of an offshore windfarm	Millstream Maidenhead Road Windsor Berkshire SL4 5GD England and Wales	Ordinary	50%	0%
Rhiannon Wind Farm limited	Dormant	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	50%	50%
Centrica Business Solutions France SASU	Demand response aggregation	PLace de la Defense 12 Maison de la Defense 92974 Paris France	Ordinary	99.98%	0%
Centrica Business Solutions UK Optimisation Limited	Demand response aggregation	Millstream Maidenhead Road Windsor Berkshire SL4 5GD United Kingdom	Ordinary	99.98%	0%
Restore North America LLC	Demand response aggregation	WTS LLC, 67 East Park Place Morristown New Jersey 07960 United Kingdom	Membership interest	99.98%	0%
FES Energy Solutions Limited	Energy supply and/or services	1 Warrington Place Dublin 2 Ireland	Ordinary	100%	0%

Centrica Business Solutions Management Limited

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

12 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
Centrica Business Solutions Deutschland GmbH	Demand response aggregation	Neuer Wall 10 20354 Hamburg Germany	Ordinary	99.98%	0%

* indicates direct investment of the company

13 Trade and other receivables

	2019 Current £ 000	2018 Current £ 000
Amounts owed by Group undertakings	-	64,038
Other receivables	17	9
	<u>17</u>	<u>64,047</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £nil (2018: £453,260,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.20% and 4.90% per annum during 2019 (2018: 3.72% and 4.13%). The remaining amount is a payable to Group Undertakings of £nil (2018: payable of £389,222,000) which is interest-free.

Centrica Business Solutions Management Limited

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

14 Trade and other payables

	2019	2018
	Current £ 000	Current £ 000
Trade payables	(129)	(243)
Amounts owed to Group undertakings	(29,297)	-
	<u>(29,426)</u>	<u>(243)</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £26,783,000 (2018: £nil) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.20% and 4.90% per annum during 2018 (2018: 3.72% and 4.13%). The remaining amount is a receivable by Group Undertakings of £2,514,000 (2018: £nil) which is interest free. All amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

15 Capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,011</u>	<u>1,011</u>	<u>1,011</u>	<u>1,011</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 shareholder of the Company at the reporting date.

16 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 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.

The registered address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.

Centrica Business Solutions Management Limited

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

17 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.