

**CENTRICA AMERICA LIMITED (formerly  
known as Centrica US Holdings Limited)**

**Report and Financial Statements**

**For the year ended**

**31 December 2002**



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**DIRECTORS' REPORT (continued)**

The directors present their report and the audited financial statements of Centrica America Limited (the "Company") for the year ended 31 December 2002. Comparatives are for the period 28 November 2000 to 31 December 2001.

**Principal activities**

The principal activity of the Company is to act as an intermediate holding company. The Company changed its name from Centrica US Holdings Limited to Centrica America Limited on 1 November 2002.

**Financial results and business review**

The results of the Company are set out on page 8.

The Company recorded a profit on ordinary activities after tax of £nil for the year (period ended 31 December 2001: £127,000).

**Dividends**

The directors do not recommend the payment of a dividend for the year ended 31 December 2002 (period ended 31 December 2001: £nil).

**Directors' interests**

The following served as directors throughout the year:

P K Bentley                      resigned 15/4/03

I G Dawson

Sir Roy Gardner              resigned 15/4/03

At no time during the period ended 31 December 2002, did any director have any interest in the shares of the Company or any other company in the Centrica plc group, except for the interests in, and the options over, the shares and interests of the ultimate parent company, Centrica plc. Details of the interests of Sir Roy Gardner and P K Bentley in the shares and options over shares in Centrica plc are shown in the 2002 Centrica plc Annual Report and Accounts. The interests of I G Dawson in the ordinary shares in Centrica plc at the year-end are as follows:

**Beneficial interests in ordinary shares (i)**

	As at 31 December 2002	As at 31 December 2001
I G DAWSON	105,957	33,621

- (i) The figures above include shares appropriated under the terms of the Centrica profit sharing scheme, and shares held under the Centrica share incentive plan (SIP). \*\*

**DIRECTORS' REPORT (continued)****Sharesave Scheme (i)**

	As at 31 December 2002	Exercised during year	Granted during year	As at 31 December 2001
I G DAWSON	4,781	-	-	4,781

Options over shares in Centrica plc granted in June 2000 were at an option price of 202.6 pence.

**Executive Share Option Scheme (i)**

	As at 31 December 2002	Exercised during year	Granted during year	As at 31 December 2001
I G DAWSON	452,950	-	244,661	208,289

- (i) Options were granted on 2 April 2002 at an option price of 224.8p under the terms of the Executive share option scheme.\*\*

**Long Term Incentive Scheme**

	As at 31 December 2002	Exercised during year	Granted during year	As at 31 December 2001
I G DAWSON	500,396	333,913	91,748	742,561

- (i) Total allocations as at 31 December 2002 shown above include both notional allocations of shares that are subject to performance conditions and awards of shares that have reached the conclusion of the performance period but are subject to a two year retention period.
- (ii) A Notional allocation of shares was made under this scheme on 2 April at a market price at allocation of 227.00 pence.

The middle market price of a Centrica plc ordinary share on the last trading day of 2002 (31 December) was 171.00 pence. The range during the period was 239.00 (high) and 150.00 (low).

\*\* For details of any of the above listed schemes please refer to the 2002 Annual Report for Centrica plc, copies of which can be obtained from the Company Secretary Centrica plc.

There were no contracts of significance subsisting during or at the end of the financial period to which the Company is a party and in which any director is or was materially interested.

**Directors' and officers' liability**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc.

## DIRECTORS' REPORT (continued)

### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003 PricewaterhouseCoopers resigned on 31 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

In accordance with the Companies Act 1985, the Company has passed an elective resolution to dispense with the need to hold Annual General Meetings, the laying of financial statements before members at general meeting and with the need to reappoint auditors annually.

By order of the Board



Ian Ritchie

For and on behalf of

Centrica Secretaries Limited

Company Secretary

26 August 2003

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire SL4 5GD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS**

The directors are required by the Companies Act 1985 to prepare financial statements for each period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 8 to 13 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the member of Centrica America Limited (formerly known as Centrica US Holdings Limited)**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

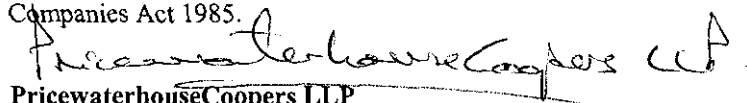
### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

26/8/03

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2002**

	Notes	Year ended 31 Dec 2002 £000	Period ended 31 Dec 2001 £000
Interest receivable	4	-	127
Net interest		-	127
<b>Profit on ordinary activities before taxation</b>		-	127
Taxation on profit on ordinary activities	5	-	-
<b>Profit on ordinary activities after taxation for the financial period</b>		-	127
<b>Transfer to reserves</b>	9	-	127

There are no gains or losses in the period other than those recognised in the profit and loss account.

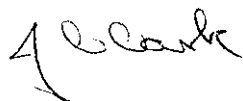
The notes on pages 10 to 13 form part of these financial statements.



**BALANCE SHEET**  
**As at 31 December 2002**

	Notes	2002 £000	2001 £000
<b>FIXED ASSETS</b>			
Fixed asset investments	6	93,271	30,135
<b>CREDITORS: amounts falling due within one year</b>			
Other creditors	7	(63,144)	(8)
<b>NET CURRENT LIABILITIES</b>		(63,144)	(8)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		30,127	30,127
<b>NET ASSETS</b>		30,127	30,127
<b>CAPITAL AND RESERVES – EQUITY INTERESTS</b>			
Called up share capital	8	30,000	30,000
Profit and loss account	9	127	127
<b>SHAREHOLDER FUNDS</b>	10	30,127	30,127

The financial statements were approved by the board of directors on 26 August 2003 and were signed on its behalf by:



J A K Clark  
 Director

The notes on pages 10 to 13 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. PRINCIPAL ACCOUNTING POLICIES

**Accounting principles**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention and the Companies Act 1985.

**Basis of preparation**

The directors believe that the going concern basis is applicable for the preparation of the accounts as it is Centrica plc's present intention to provide financial support to the Company.

**Exemptions**

The Company is a wholly owned subsidiary undertaking of Centrica plc. The Company has taken advantage of the exemptions within FRS 1, Cash Flow Statements, from presenting a cash flow statement; and within FRS 8, Related Party Disclosures, from disclosing transactions with other group companies.

**Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at closing rates of exchange. Differences resulting from the retranslation of the opening net investment in overseas subsidiary undertakings and joint ventures are taken to reserves.

Exchange differences on monetary assets and liabilities are taken to the profit and loss account, except that exchange differences on foreign currency borrowings used to finance or hedge foreign currency net investments in overseas subsidiary undertakings and joint ventures are taken directly to reserves. All other exchange movements are taken to the profit and loss account.

**Fixed asset investments**

Fixed asset investments are held as foreign currency assets to the extent of any foreign currency borrowings, and annually revalued at the closing balance sheet rate.

**Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in the 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 net 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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

## 2. DIRECTORS AND EMPLOYEES

No Directors received emoluments in respect of their services to the Company (period ended 31 December 2002: £nil). There were no employees during the year (period ended 31 December 2002: nil). All of the directors of the Company were members of one of Centrica plc's defined benefit scheme.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 3. COSTS

The remuneration of the auditors of the Company for audit services was borne by Centrica plc in both the 2002 year and the period ended 31 December 2001.

## 4. NET INTEREST

	Year ended 31 Dec 2002 £000	Period ended 31 Dec 2001 £000
Interest receivable from group companies	-	127
Net interest receivable	-	127

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	Year ended 31 Dec 2002 £000	Period ended 31 Dec 2001 £000
Corporation tax at 30%	-	-
Deferred tax		
- current period	-	-
Total tax on profit on ordinary activities	-	-

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

	2002 £000	2001 £000
Profit on ordinary activities before tax	-	127
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	-	38
Effects of:		
Group relief	-	(38)
Current tax charge for the period	-	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 6. FIXED ASSET INVESTMENTS

	£000
As at 1 January 2002	30,135
Additions	65,343
Foreign exchange adjustments	(2,207)
	<u>93,271</u>
As at 31 December 2002	<u>93,271</u>
As at 31 December 2001	<u>30,135</u>

On 6 December 2002 the Company made an investment of US\$101,672,939 representing 69.61% of the issued share capital of Centrica US Holdings Inc, a fellow subsidiary of Centrica plc incorporated in the United States of America. The share capital comprised 45,807 ordinary shares with a par value of US\$0.01.

The investment as at 1 January 2002 represents a 100% investment in Centrica Luxembourg Holdings Sarl, a fellow subsidiary of Centrica plc incorporated in Luxembourg. The Company acquired 476,994 Euro 100 ordinary shares for a consideration of £30,126,575, and 125 Euro 100 ordinary shares for a consideration of £7,895 from GB Gas Holdings Limited.

## 7. OTHER CREDITORS

	2002 Within one year £000	2001 Within one year £000
Amounts falling due		
Amounts owed to group undertakings	63,144	8
	<u>63,144</u>	<u>8</u>

On 1 January 2002, the Company borrowed US\$20,290,000 from Centrica plc to hedge in part its investment in Centrica Luxembourg Holdings Sarl. This borrowing was repaid on 30 April 2002. On 6 December 2002, the Company borrowed US\$101,672,939 from Centrica plc to invest in shares of Centrica US Holdings Inc. Neither of these loans were interest bearing.

## 8. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
<b>Authorised</b>		
500,000,000 ordinary shares of £1 each	500,000	500,000
	<u>500,000</u>	<u>500,000</u>
<b>Called up, allotted and fully paid</b>		
30,000,002 ordinary shares of £1 each	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

On 27 March 2003, the Company authorised an additional 1,000,000,000 shares at US\$1 each.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 9. RECONCILIATION OF MOVEMENT IN RESERVES

	Profit and loss £000
As at 31 December 2001	127
Profit for the financial year	-
As at 31 December 2002	<u>127</u>

## 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER FUNDS

	2002 £000	2001 £000
Shareholder funds as at beginning of the period	30,127	-
Net proceeds of share issue	-	30,000
Profit on ordinary activities after taxation for the financial period	-	127
Shareholder funds as at 31 December	<u>30,127</u>	<u>30,127</u>

Exchange gains of £2,207,000 (period ended 31 December 2001: £nil) on foreign currency borrowings have been offset in reserves against exchange losses of £2,207,000 (period ended 31 December 2001: £nil) on the cost of investments in overseas undertakings.

## 11. POST BALANCE SHEET EVENTS

On 31 January 2003, Centrica Luxembourg Holdings Sarl was liquidated and that company's entire assets and liabilities, comprising principally a 30.39% interest in Centrica US Holdings Inc., were transferred to the Company. The Company has indemnified the liquidator of Centrica Luxembourg Holdings Sarl against any and all losses and liabilities of Centrica Luxembourg Holdings Sarl.

On 27 March 2003 the Company issued US dollar shares to Centrica plc and used the proceeds to repurchase the existing issued pound sterling share capital.

On 31 March 2003 the Company purchased the entire share capital of Centrica Finance (US) Limited, comprising both fully-paid and partly-paid ordinary shares, from Centrica plc. This acquisition was funded by the issue to Centrica plc of additional fully and partly paid shares of the Company. Subsequently on 31 March, the Company's entire issued share capital was transferred to Centrica Beta Holdings Limited, a fellow subsidiary of Centrica plc.

## 12. ULTIMATE PARENT COMPANY

Centrica plc is the ultimate parent undertaking and the only group to consolidate the financial statements of the Company. Copies of the Annual Report of Centrica plc may be obtained from the Company Secretary, Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.