

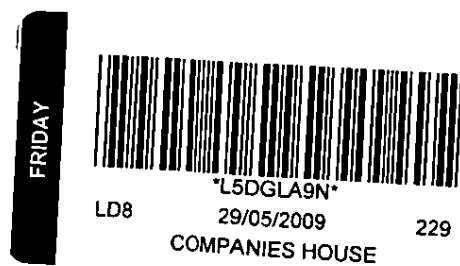
CENTRICA AMERICA LIMITED

Annual Report and Financial Statements

For the year ended

31 December 2008

Registered No: 4118195



CENTRICA AMERICA LIMITED

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Directors' report for the year ended 31 December 2008

The Directors present their report and the audited financial statements of Centrica America Limited ("the Company") for the year ended 31 December 2008.

Principal activities

The principal activity of the Company is to act as an investment holding company within the Centrica plc group ("the Group").

Review of business and future developments

The financial position of the Company is presented in the balance sheet on page 6. Shareholders' funds at 31 December 2008 were US\$901,380,000. (2007: US\$901,380,000).

The Directors believe that the currency of the primary economic environment in which the Company operates and generates net cash flows is US dollars and accordingly the financial statements have been prepared in US dollars.

The Directors intend that the Company will continue to act as an investment holding company, financed by US dollar equity, for the foreseeable future.

Results and dividends

The Company did not trade during the year and therefore did not record a profit or loss on ordinary activities after tax. (2007: US\$nil). The Directors do not recommend the payment of a final dividend. (2007: US\$nil).

Principal risk and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties for the Group, which include those of the Company, are discussed on pages 31-34 of the Group's 2008 Annual Report and Accounts which does not form part of this report.

Key performance indicators ("KPIs")

Given the nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors

The following served as Directors throughout the year and up to the date of signing this report:

I G Dawson.

C Redcliffe

P I Hedley (appointed 30 January 2009)

J A K Clark (resigned 30 January 2009)

Charitable and political donations

The Company made no political or charitable donations during the year. (2007: \$nil).

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc and was in place throughout the year under review. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Risk management

Details of the Group's financial risk management policy are set out on pages 74-79 of the Group's 2008 Annual Report and Accounts.

Centrica 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.

Directors' report for the year ended 31 December 2008 - continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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). The financial statements are required by law to 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

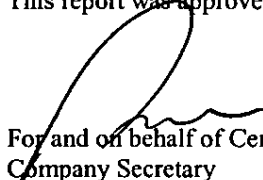
Disclosure of information to auditors

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 Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 29 May 2009.



For and on behalf of Centrica Secretaries Limited
Company Secretary

29 May 2009

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

Independent auditors' report to the member of Centrica America Limited

We have audited the financial statements of Centrica America Limited for the year ended 31 December 2008 which comprise the profit and loss account, balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's member 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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its result for the year then ended.
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

29 May 2009

Profit and loss account for the year ended 31 December 2008

The Company did not recognise any profit and loss during the year (2007: US\$nil). There were no other recognised gains or losses (2007: US\$nil), and accordingly a statement of total recognised gains and losses has not been presented.

A statement of movements in shareholders funds' is shown in note 8.

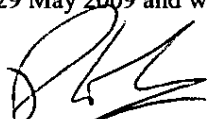
The notes on pages 7 to 10 form part of these financial statements.

CENTRICA AMERICA LIMITED

Balance sheet as at 31 December 2008

| | Note | 2008 US\$000 | 2007 US\$000 |
|---|------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Investments in subsidiaries | 4 | 901,391 | 901,391 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 5 | (11) | (11) |
| NET CURRENT LIABILITIES | | <u>(11)</u> | <u>(11)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>901,380</u> | <u>901,380</u> |
| NET ASSETS | | <u>901,380</u> | <u>901,380</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 6 | 900,996 | 900,996 |
| Profit and loss reserve | 7 | 174 | 174 |
| Special reserve | 7 | 210 | 210 |
| TOTAL SHAREHOLDERS' FUNDS | 8 | <u>901,380</u> | <u>901,380</u> |

The financial statements on pages 5 to 10 were approved and authorised for issue by the Board of Directors on 29 May 2009 and were signed on its behalf by:



Paul Hedley
Director

The notes on pages 7 to 10 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2008 (continued)**1. PRINCIPAL ACCOUNTING POLICIES****Accounting principles**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, consistently applied, 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 the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. In particular the amounts owed to Group undertakings will not be required to be repaid for the foreseeable future.

Exemptions

The Company is a wholly owned subsidiary undertaking of Centrica Beta Holdings Limited 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 228 of the Companies Act 1985.

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.

Reporting currency

The Directors believe that the currency of the primary economic environment in which the Company operates and generates net cash flows is US dollars and accordingly the financial statements have been prepared in US dollars. The 31 December 2008 US dollar to Sterling exchange rate used in the preparation of these financial statements was 1.4593 (2007: 1.9827) and the average rate for the year was 1.8633 (2007 2.0063)

Investments in subsidiary undertakings

Fixed asset investments 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.

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.

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.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2. DIRECTORS AND EMPLOYEES

The Directors received no emoluments during the year ended 31 December 2008 (2007: US\$nil) in respect of their services to the Company. There were no employees during the year (2007: nil).

3. AUDITORS' REMUNERATION

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of Centrica America Limited and includes fees in relation to the audit of the IFRS Group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of Centrica America Limited. The auditors' remuneration of US\$11,977 (2007: US\$11,763) is borne by Centrica plc. Prior year audit fees have been restated to reflect the inclusion of an element of the Centrica Group fee.

4. INVESTMENTS IN SUBSIDIARIES

| | US\$000 |
|------------------|----------------|
| 1 January 2008 | 901,391 |
| 31 December 2008 | <u>901,391</u> |

At 31 December 2008 the Company had interests in the following principal undertakings. This information is given pursuant to section 231(5) Companies Act 1985.

| Principal subsidiary undertakings | Business | Country of incorporation | Direct holdings (%) | Indirect holdings (%) |
|---|-------------------|--------------------------|---------------------|-----------------------|
| Centrica Finance (US) Limited | Financing company | England and Wales | 100 | - |
| Centrica US Holdings Inc. | Holding company | USA | 100 | - |
| Bastrop Energy GP Inc. | Energy supply | USA | - | 100 |
| CPL Retail Energy, LP | Energy supply | USA | - | 100 |
| Direct Energy, LP | Energy supply | USA | - | 100 |
| Centrica Bastrop Finance Holdings | Holding company | England and Wales | - | 100 |
| Energy America, LLC | Energy supply | USA | - | 100 |
| Frontera Generation Limited Partnership | Energy supply | USA | - | 100 |
| Direct Energy Marketing Inc. | Energy supply | USA | - | 100 |
| WTU Retail Energy, LP | Energy supply | USA | - | 100 |

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 US\$000 | 2007 US\$000 |
|------------------------------------|-----------------|-----------------|
| Amounts owed to Group undertakings | <u>11</u> | <u>11</u> |

Amounts owed to Group undertakings are unsecured and interest free. In particular the amounts owed to Group undertakings will not be required to be repaid for the foreseeable future.

Notes to the financial statements for the year ended 31 December 2008 (continued)

6. CALLED UP SHARE CAPITAL

| | 2008 US\$000 | 2007 US\$000 |
|--|------------------|------------------|
| Authorised share capital: | | |
| 500,000,000 ordinary shares of £1 sterling each (2007: 500,000,000) | 729,650 | 991,350 |
| 1,000,000,000 ordinary shares of US\$1 each (2007: 1,000,000,000) | 1,000,000 | 1,000,000 |
| 100,000,000 ordinary B shares of US\$1 each (2007: 100,000,000) | 100,000 | 100,000 |
| | <u>1,829,650</u> | <u>2,091,350</u> |
| Called up, allotted and partly or fully paid: | | |
| Ordinary shares of US\$1 each (i) | 800,996 | 800,996 |
| 100,000,000 Ordinary B Shares of US\$1 each (ii) (2007: 100,000,000) | 100,000 | 100,000 |
| | <u>900,996</u> | <u>900,996</u> |

(i) Of this amount, in both 2008 and 2007 US\$603,981,000 relates to 603,980,944 fully paid shares. There are in 2008 and 2007 200,000,000 Ordinary shares of US\$1 in issue partly paid to a value of US\$197,015,000.

(ii) Ordinary B shares carry equal voting rights and rights on winding up to ordinary shares of the Company.

7. RESERVES

| | Special reserve US\$000 (i) | Profit and loss reserve US\$000 | Total US\$000 |
|-------------------------------|--------------------------------|---------------------------------------|------------------|
| 1 January 2008 | 210 | 174 | 384 |
| Result for the financial year | - | - | - |
| 31 December 2008 | <u>210</u> | <u>174</u> | <u>384</u> |

(i) The special reserve comprises foreign exchange gains arising on the re-translation of the Company's reserves to US dollars. As these amounts have not been realised, they have been excluded from distributable reserves.

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2008 US\$000 | 2007 US\$000 |
|-----------------------------|-----------------|-----------------|
| Opening shareholders' funds | 901,380 | 901,380 |
| Closing shareholders' funds | <u>901,380</u> | <u>901,380</u> |

Notes to the financial statements for the year ended 31 December 2008 (continued)

9. ULTIMATE PARENT UNDERTAKING

Centrica Beta Holdings Limited, a company registered in England and Wales, is the immediate parent undertaking. Centrica plc, a company registered in England and Wales, is the ultimate parent undertaking and the only company to consolidate the financial statements of Centrica America Limited. Copies of the Annual Report of Centrica plc may be obtained from www.centrica.com