

Registered No: 04577601

Centrica Alpha Finance Limited
Annual Report and Financial Statements
For the year ended 31 December 2011

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Centrica Alpha Finance Limited

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Centrica Alpha Finance Limited

Directors' report for the year ended 31 December 2011

The Directors present their report and the audited financial statements of Centrica Alpha Finance Limited (the "Company") for the year ended 31 December 2011

Principal activities

The principal activity of the Company is to act as a financing 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 5 Shareholders' funds at 31 December 2011 were US\$322,340,000 (2010 US\$312,331,000)

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

On 31 December 2011 all inter-company loans ceased bearing interest

Results and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2011 is US\$ 10,009,000 (2010 US\$ 9,938,000) The Directors do not recommend the payment of a final dividend (2010 US\$ nil)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks The key business risks and uncertainties that the Company is exposed to are interest rate risks linked to the Centrica plc Group's ("the Group") cost of funds As the interest rate risks relate to transactions with other Group companies they are not actively managed by the Company

The principal risks and uncertainties for the Group, which include those of the Company, are discussed on pages 36-40 of the Group's 2011 Annual Report and Accounts which does not form part of this report Copies of the Annual Report of Centrica plc may be obtained from www.Centrica.com

Key performance indicators ("KPIs")

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the business are net assets and results after tax, these are shown above

Directors

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

C Redcliffe
J Bell

Political and charitable donations

The Company made no political or charitable donations during the year (2010 US\$ 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

Centrica Alpha Finance Limited

Directors' report for the year ended 31 December 2011 (continued)

Financial risk management

Details of the Group's financial risk management policy is set out on pages 117-119 of the Group's 2011 Annual Report and Accounts

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

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial 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). 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 for that period. In preparing these financial statements, the Directors are required to

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

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

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and 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 the information.

Independent auditors

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

This report was approved by the Board on 14 June 2012



For and on behalf of Centrica Secretaries Limited
Company Secretary
14 June 2012

Company registered in England and Wales, Registered Number 04577601
Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Alpha Finance Limited

Independent auditors' report to the member of Centrica Alpha Finance Limited

We have audited the financial statements of Centrica Alpha Finance Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

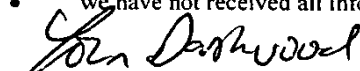
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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 information and explanations we require for our audit.



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

14th June 2012

Centrica Alpha Finance Limited

Profit and loss account for the year ended 31 December 2011

	Notes	2011 US\$000	2010 US\$000
Interest receivable and similar income	4	<u>10,009</u>	<u>9,938</u>
Profit on ordinary activities before taxation		10,009	9,938
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Profit for the financial year	8	<u>10,009</u>	<u>9,938</u>

All amounts relate to continuing operations

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

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

A reconciliation of movements in shareholders' funds is shown in note 9

The notes on pages 6 to 9 form part of these financial statements

Centrica Alpha Finance Limited

Balance sheet as at 31 December 2011

	Notes	2011 US\$000	2010 US\$000
Current assets			
Debtors	6	<u>322,340</u>	<u>312,331</u>
Net current assets		<u>322,340</u>	<u>312,331</u>
Total assets less current liabilities		<u>322,340</u>	<u>312,331</u>
Net assets		<u>322,340</u>	<u>312,331</u>
Capital and reserves			
Called up share capital	7	226,377	226,377
Profit and loss account	8	<u>95,963</u>	<u>85,954</u>
Total shareholders' funds	9	<u>322,340</u>	<u>312,331</u>

14. The financial statements on pages 4 to 9 were approved and authorised for issue by the Board of Directors on June 2012 and were signed on its behalf by

J Bell
Director



The notes on pages 6 to 9 form part of these financial statements

Registered No 04577601

Centrica Alpha Finance Limited

Notes to the financial statements for the year ended 31 December 2011

1. Principal accounting policies

Accounting principles

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

Basis of preparation

The Directors believe that the going concern basis is applicable for the preparation of the accounts

Exemptions

The Company is a wholly-owned subsidiary undertaking of Centrica Finance (US) Limited and is included in the consolidated financial statements of Centrica plc which are publicly available

The Company has 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 consider that the currency of the primary economic environment in which the Company operates and generates net cash flows is US dollars. Accordingly the financial statements have been prepared in US dollars. The 31 December 2011 US dollar to Sterling exchange rate used in the preparation of these financial statements was 1.5509 (2010: 1.5591), and the average rate for the year was 1.6103 (2010: 1.5448)

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into US dollars (or alternatives) at rates of exchange ruling at the end of the year

Transactions in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of transaction. All foreign exchange differences have been taken to the profit and loss account in the year

Interest

Interest is accounted for on an accrual basis. Interest receivable from other Group companies registered overseas is presented inclusive of any overseas withholding tax

Financial instruments

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

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

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

Centrica Alpha Finance Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1. Principal accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Taxable profits or losses are subject to group relief without payment.

2. Directors and employees

The emoluments of all of the directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Centrica plc subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

There were no employees of the Company during the year ended 31 December 2011 (2010: nil).

3. Auditors' remuneration

Auditors' remuneration totalling US\$11,049 (2010: US\$11,049) relates to fees for the audit of the UK GAAP statutory accounts of the Company 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 the Company. The auditors' remuneration of US\$11,049 (2010: US\$11,049) is borne by Centrica plc.

4. Interest receivable and similar income

	2011 US\$000	2010 US\$000
Interest receivable from Group undertakings	10,009	9,938

5. Tax on profit on ordinary activities

	2011 US\$000	2010 US\$000
(a) Analysis of tax credit in the period		
The tax credit comprises		
Current tax:		
United Kingdom corporation tax at 26.5% (2010: 28%)	-	-
Tax on profit on ordinary activities	-	-

Centrica Alpha Finance Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

5. Tax on profit on ordinary activities (continued)

(b) Factors affecting the tax charge for the period

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

	2011 US\$000	2010 US\$000
Profit on ordinary activities before taxation	10,009	9,938
Tax on profit on ordinary activities at standard UK corporation tax rate of 26.5% (2010: 28%)	2,652	2,783
Effects of		
Group relief for nil consideration	(2,649)	(2,780)
UK UK transfer pricing adjustment	(3)	(3)
Tax credit for the period	-	-

No deferred taxation has arisen in the year (2010: US\$nil)

A number of changes to the UK corporation tax system were announced in the March 2011 and the March 2012 Budget Statements. The main rate of corporation tax was reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. A further reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011 and a further reduction to 24% from 1 April 2012 was substantively enacted on 26 March 2012. Further reductions to the main rate are proposed to further reduce the rate by 1% per annum to 22% by 1 April 2014. The impact of these proposed changes on the financial statements would be nil since the company has no deferred tax balances.

6. Debtors

	2011 US\$000	2010 US\$000
Amounts falling due within one year:		
Amounts owed by Group undertakings	322,340	312,331

Amounts owed by Group undertakings totalling US\$319,669,000 (2010: US\$309,487,000) are unsecured and accrue interest at the US Prime rate on the last day of the preceding quarter with interest payable quarterly in arrears, and are repayable on demand. The remaining balance relates to accrued interest. From 31 December 2011 all of these balances were converted to non interest bearing unsecured loans.

7. Called up Share Capital

	2011 US\$000	2010 US\$000
Allotted and fully paid:		
77,372 ordinary shares of US\$1 each (2010: 77,372)	77	77
2,263,000 deferred shares of US\$100 each (2010: 2,263,000)	226,300	226,300
	226,377	226,377

Centrica Alpha Finance Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8. Reconciliation of movement in reserves

	Profit and loss account US\$000
As at 1 January 2011	85,954
Profit for the financial year	10,009
As at 31 December 2011	<u>95,963</u>

9. Reconciliation of movements in shareholder's funds

	2011 US\$000	2010 US\$000
Retained profit for the financial year	<u>10,009</u>	<u>9,938</u>
Net addition to shareholder's funds	<u>10,009</u>	<u>9,938</u>
Opening shareholder's funds	<u>312,331</u>	<u>302,393</u>
Closing shareholder's funds	<u>322,340</u>	<u>312,331</u>

10. Ultimate parent undertaking

Centrica Finance (US) 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 controlling party, and the only company to consolidate the financial statements of Centrica Alpha Finance Limited. Copies of the Annual Report of Centrica plc may be obtained from www.centrica.com