

CENTRICA ALPHA FINANCE LIMITED

**Annual Report and Financial Statements
For the year ended 31 December 2008**

Registered Number: 4577601

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CENTRICA ALPHA FINANCE LIMITED

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CENTRICA ALPHA FINANCE LIMITED

Directors' report for the year ended 31 December 2008

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

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 2008 were US\$292,771,000. (2007: US\$274,500,000).

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 a financing company for the foreseeable future.

Results and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2008 is US\$18,271,000. (2007: US\$21,374,000). The Directors do not recommend the payment of a final dividend. (2007: US\$nil).

Principal risks 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 during the year and up to the date of signing this report:

C Redcliffe

I P Hedley (appointed 30 January 2009)

J A K Clark (resigned 30 January 2009)

Political and charitable donations

The Company made no political or charitable donations during the year. (2007: 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.

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.

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 as at the end of the financial year 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 judgements 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;
- 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.

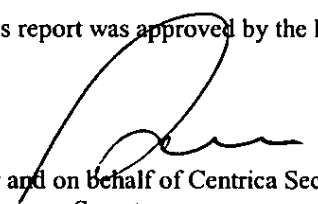
Disclosure of information to auditors

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 the 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 19 May 2009.



For and on behalf of Centrica Secretaries Limited
Company Secretary

19 May 2009

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

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 2008 which comprise the profit and loss account, the 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 profit 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
19 May 2009

CENTRICA ALPHA FINANCE LIMITED

Profit and loss account for the year ended 31 December 2008

	Notes	2008 US\$000	2007 US\$000
Interest receivable and similar income	4	15,875	21,374
Profit on ordinary activities before taxation		15,875	21,374
Taxation on profit on ordinary activities	5	2,396	-
Profit for the financial year	9	18,271	21,374

All amounts relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year 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 10.

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

CENTRICA ALPHA FINANCE LIMITED

Balance sheet as at 31 December 2008

	Notes	2008 US\$000	2007 US\$000
CURRENT ASSETS			
Debtors	6	292,771	276,896
CURRENT LIABILITIES			
Creditors (amounts falling due within one year)	7	-	(2,396)
NET CURRENT ASSETS		<u>292,771</u>	<u>274,500</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>292,771</u>	<u>274,500</u>
NET ASSETS		<u>292,771</u>	<u>274,500</u>
CAPITAL AND RESERVES			
Called up share capital	8	226,377	226,377
Profit and loss reserve	9	66,394	48,123
TOTAL SHAREHOLDERS' FUNDS	10	<u>292,771</u>	<u>274,500</u>

The financial statements on pages 4 to 9 were approved and authorised for issue by the Board of Directors on 19 May 2009 and were signed on its behalf by:



Charlotte Redcliffe
Director

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

Notes to the financial statements for the year ended 31 December 2008

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 1985.

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 No1 (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 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: 2.0068).

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 accruals 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.

Notes to the financial statements for the year ended 31 December 2008 - 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.

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

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 of the Company during the year ended 31 December 2008 (2007: nil).

3. AUDITORS' REMUNERATION

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of Centrica Alpha Finance 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 Alpha Finance Limited. Of the auditors' remuneration US\$11,977 (2007: US\$11,766) 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. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 US\$000	2007 US\$000
Interest receivable from Group undertakings	<u>15,875</u>	<u>21,374</u>

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

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2008 US\$000	2007 US\$000
(a) Analysis of tax credit in the period		
The tax credit comprises:		
Current tax:		
United Kingdom corporation tax at 28.5% (2007: 30%)	-	-
Adjustments in respect of previous periods	2,396	-
Total current tax	2,396	-
Deferred tax		
Effect of change to deferred tax rate	-	-
Origination and reversal of timing differences	-	-
Total tax on profit on ordinary activities	2,396	-
(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:		
	2008 US\$000	2007 US\$000
Profit on ordinary activities before taxation	15,875	21,374
Tax on profit on ordinary activities at standard UK corporation tax rate of 28.5% (2007: 30%)	4,524	6,412
Effects of:		
Group relief for nil consideration	(4,521)	(6,410)
Prior year adjustment	2,396	-
UK:UK transfer pricing adjustment	(3)	(2)
Tax credit for the period	2,396	-

No deferred taxation arises in the year (2008: nil).

From 1 April 2008 the standard rate of UK corporation tax reduces to 28%.

6. DEBTORS

	2008 US\$000	2007 US\$000
Amounts falling due within one year		
Amounts owed by Group undertakings	292,771	276,896

Amounts owed by Group undertakings totalling \$288,832,811 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.

7. CREDITORS

	2008 US\$000	2007 US\$000
Amounts falling due within one year		
Corporation tax	-	2,396

CENTRICA ALPHA FINANCE LIMITED

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

8. SHARE CAPITAL

	2008 US\$000	2007 US\$000
Authorised share capital:		
273,700,000 ordinary shares of US\$1 each (2007: 273,700,000)	273,700	273,700
2,263,000 deferred shares of US\$100 each (2007: 2,263,000)	226,300	226,300
	500,000	500,000
Called up, allotted and fully paid:		
77,372 ordinary shares of US\$1 each (2007: 77,372)	77	77
2,263,000 deferred shares of US\$100 each (2007: 2,263,000)	226,300	226,300
	226,377	226,377

On 6 December 2002, Centrica US Holdings Inc. subscribed in cash for US\$77,370 of ordinary share capital at par and for 2,263,000 deferred shares of the Company, paid up US\$0.01, for US\$22,630. Subsequently, on 20 December 2002, Centrica US Holdings Inc. transferred its entire holding of ordinary shares and the beneficial interest in its entire holding of deferred shares of the Company to Centrica Finance (US) Limited. On 22 December 2003, the Company called US\$39.33 per deferred share or US\$89,003,790. On 22 December 2004, the Company called US\$2.57 per deferred share or US\$5,815,910.

On 20 December 2005 the company called a further US\$23,557,830 being the December 2005 subscription. The net present value of the remaining 2006 and 2007 subscriptions amounting to US\$98,349,980 were also called and paid on 20 December 2005. The legal ownership of these shares was then transferred to Centrica Finance (US) Limited which on 20 December 2005 made the final subscription of \$4.22 per share amounting to US\$9,549,860.

9. RECONCILIATION OF MOVEMENT IN RESERVES

	Profit and loss reserve 2008 US\$000
As at 1 January 2008	48,123
Profit for the financial year	18,271
As at 31 December 2008	66,394

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 US\$000	2007 US\$000
Retained profit for the financial year	18,271	21,374
Net addition to shareholders' funds	18,271	21,374
Opening shareholders' funds	274,500	253,126
Closing shareholders' funds	292,771	274,500

11. 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 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.