GOLDFISH FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS

For the Year Ended 31st December 2002

Company No. 3226387

Contents

Directors' report

The directors present their report and audited accounts of Goldfish Financial Services Limited ("the Company") for the year ended 31 December 2002.

Principal activity

The principal activity of the Company is to provide business development services to Centrica financial service businesses. During 2002 costs were incurred by Goldfish Financial Services Limited, but subsequently recharged to Goldfish Bank Limited (another group company).

Financial results

The profit for the year before tax amounted to £219,000 (2001: loss £3,072,000). Profit after tax amounted to £219,000 (2001: loss £3,072,000).

Dividends

The directors do not recommend the payment of a dividend in respect of the year (2001: £Nil).

Directors

The following served as directors throughout the year:

	Appointed	Resigned
Ian Peters	10 May 2002	
Douglas Richards		10 May 2002
Moira Lynne Turner	10 May 2002	
Simon Waugh		10 May 2002

Secretary

The following served as secretary throughout the year:

	Appointed	Resigned
Maxine Louise Harrison		14 March 2002
Centrica Secretaries Limited	14 March 2002	

Directors' interests

At no time did any director holding office at 31 December 2002 have any interest in the shares of the Company (2001: Nil) or any other company within the Centrica plc group except for the interests in, and the options over, the shares and interests of the ultimate parent Company, Centrica plc, as set out below.

Interests in ordinary shares

	As at 31 Dec 2002	As at date of appointment
Ian Peters	95	-

(i) The figures above include shares held under the Centrica share incentive plan (SIP).**

Executive Share Option Scheme

	As at 31 Dec 2002	Exercised during year	Granted in the year	As at date of appointment
Ian Peters	186,832	-	-	186,832
Moira Lynne Turner	73,398	-	-	73,398

(i) Options were granted on 31 March 2002 at an option price of 224.8pence under the terms of the Executive share option scheme.**

Long Term Incentive Scheme

	As at 31 Dec 2002	Exercised during year	Granted in the year	As at date of appointment
Ian Peters	140,124	-	-	140,124
Moira Lynne Turner	65,613	-	-	65,613

(i) Total allocations as at 31 December shown above include notional allocations of shares that are subject to performance conditions.

(ii) Notional allocation of shares were made on 2 April 2002 under this scheme at a base price of 227 pence.

The middle market price of Centrica plc ordinary shares on the last day of trading of 2002 (31 December) was 171 pence. The range during the year was 239 pence (high) and 150 pence (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 year to which the Company is a party and in which any director is or was materially interested.

Directors report (continued)

Statement of directors' responsibilities

The following statement sets out the responsibilities of the directors in relation to these accounts. The report of the auditors on page 3 sets out their responsibilities in relation to these accounts.

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

* select suitable accounting policies and then apply them consistently, subject to any material departures being disclosed and explained;
* make judgements and estimates that are reasonable and prudent;
* state whether applicable accounting standards have been followed, and
* prepare the accounts on a going concern basis unless they consider that to be inappropriate.

The directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable the directors to ensure that the accounts comply with the United Kingdom Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and, in that context, to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The directors are required to prepare the accounts and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The directors consider that they have pursued the actions necessary to meet these responsibilities.

Political and charitable donations
The Company made no political or charitable donations during the year.

Directors' and officers' liability
Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc.
Insurance policies are maintained for the Company's Directors and Officers against liability for negligence or breach of duty in relation to the Company as permitted by the Companys' Articles of Association and the Companies Act 1985 (as amended).

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.

By order of the Board

Philip Davies
for and on behalf of Centrica Secretaries Limited

24 June 2003

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

Independent Auditors' Report to the members of Goldfish Financial Services Limited

We have audited the financial statements which comprise the profit and loss account and 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.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

24 June 2003

Profit and Loss account for the year ended 31 December

	Notes	2002 Results for the year £000	2001 Results for the year £000
Turnover	2	**13,947**	5,166
Gross operating costs		**(13,728)**	(8,238)
Profit/(loss) on ordinary activities before taxation	3	**219**	(3,072)
Taxation on loss on ordinary activities	5	**-**	-
Profit/(loss) on ordinary activities after taxation for the financial year		**219**	(3,072)
Transfer to reserves	12	**219**	(3,072)

All items dealt with in arriving at the results before taxation for both 2002 and 2001 relate to continuing operations.

There is no difference between the profit and loss account reported above and its historical cost equivalent.

The Company has no recognised gains or losses other than the results for the financial periods reported above, and, therefore, no separate statement of total recognised gains and losses is presented.

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

Balance Sheet as at 31 December

	Notes	2002 £000	2001 £000
Fixed assets			
Tangible assets	6	-	369
Current assets			
Debtors (amounts falling due within one year)	7	13,274	1,981
		13,274	1,981
Creditors (amounts falling due within one year)			
Borrowings	8	-	(210)
Other creditors	9	(36,545)	(25,338)
		(36,545)	(25,548)
Net current liabilities		(23,271)	(23,567)
Total assets less current liabilities		(23,271)	(23,198)
Provisions for liabilities and charges	10	(212)	(504)
Net liabilities		(23,483)	(23,702)
Capital and reserves – equity interests			
Called up share capital	11	-	-
Profit and loss account	12	(23,483)	(23,702)
Shareholder deficit	13	(23,483)	(23,702)

The financial statements were approved by the board of directors on 24 June 2003 and were signed on its behalf by:

Signed..
Name: Ian Peters (Director)

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

Notes to the accounts

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 continue to provide financial support to the Company.

Turnover

Turnover represents the amounts receivable for services provided and goods sold or recharged to other group companies.

Operating costs

Costs incurred on behalf of other companies within the Centrica group are recorded initially as operating costs, before being recharged.

Long-term incentive schemes

The cost of potential share awards under the Group's long-term incentive schemes is charged to the profit and loss account over the period to which the performance criteria of each allocation relates. Cost is defined as the difference between the contribution receivable from employees and the market value at the date of grant, or the actual cost of shares where market purchases are made at, or around, grant date. Cost also includes National Insurance charges expected to arise at exercise dates.

Tangible assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment. Tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives. The depreciation periods for the principal categories of assets are as follows:

Equipment	3 - 5 years
Motor Vehicles	4 - 6 years

Pensions

Pensions are accounted for in accordance with SSAP24, Pension Costs. Employees of the Company are members of Centrica Staff Pension Scheme, AA Staff Pension Scheme, the Centrica Engineers Pension Scheme or the Centrica Management Pension Scheme. Each of these is a defined benefit scheme. It is not possible to identify the Company's share of the underlying assets and liabilities within these schemes, and therefore, as allowed within FRS17, for disclosure purposes these schemes have been accounted for as defined contribution schemes. Contributions to these schemes have been charged to the profit and loss account when incurred. Details of the schemes can be found in the accounts of Centrica plc.

Taxation

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 an 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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 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.

Cash Flow Statement

The Company is exempt from the requirement to produce a Cashflow statement under Financial Reporting Standard 1 (revised) since it is indirectly a wholly owned subsidiary undertaking of Centrica plc which prepares consolidated accounts which are publicly available.

2 Turnover

All of the turnover arises from one class of business within the UK.

3 Profit/(loss) on ordinary activities before taxation

	2002 £000	2001 £000
Operating profit/(loss) is stated after charging:		
Depreciation on tangible fixed assets	**6**	60
Auditors' remuneration:		
Statutory audit	**10**	10
Other	**-**	478

Notes to the accounts (continued)

4 Directors and employees

a) Employee costs	2002 £000	2001 £000
Wages and salaries	4,631	1956
Social security costs	418	171
Other pension and retirement benefits costs (see note 14)	496	142
Long Term Incentive Scheme	(459)	-
Recharges	(5,532)	(1,956)
	(446)	313

No employees were employed by the Company during the year (2001: 56).

The Company acts as a payroll bureau for employees (including directors) of Goldfish Bank Ltd. The Company provides payroll services to employees and also pays the employees. These payments and the costs of providing this services are recharged to Goldfish Bank Ltd.

b) Directors emoluments	2002 £000	2001 £000
Fees to directors	345	280
Other emoluments excluding pension	441	-
Pension contributions	52	9
	838	289

The emoluments of the highest paid director, excluding pension contributions were £411,268 (2001: £183,953). The pension contributions made by the Company in respect of this director were £31,715 (2001: £5,944). All of these costs were recharged to Goldfish Bank Limited.

Details of directors' share options and long term incentive scheme interests are on pages 1 to 2 of these financial statements.

5 Tax

The tax charge comprises:

	2002 £000	2001 £000
Corporation tax at 30% (2001: 30%)	-	-
Deferred tax:		
- current year	-	-
Total tax on loss 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 loss before tax is as follows:

	2002 £000	2001 £000
Profit/(loss) on ordinary activities before tax	219	(3,072)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2001: 30%)	66	(922)
Effects of:		
Timing differences not recognised under FRS19	(562)	(392)
Expenses not deductible for tax purposes	(11)	1
Group relief	507	1,313
Current tax charge for the year	-	-

Tax losses are surrendered for group relief purposes for nil consideration.

6 Tangible assets

	Plant, equipment and vehicles £000
Cost	
As at 1 January 2002	451
Additions	9,575
Transfer from Group Companies	18
Transfers to Group Companies	(10,025)
As at 31 December 2002	**19**
Depreciation and amortisation	
As at 1 January 2002	82
Charge for the year	6
Transfer from Group Companies	11
Transfers to Group Companies	(80)
As at 31 December 2002	**19**
Net book value	
As at 31 December 2002	-
As at 31 December 2001	369

Notes to the accounts (continued)

7 Debtors (amounts falling due within one year)	2002 £000	2001 £000
Amounts owed by Group undertakings (includes Goldfish Bank)	13,274	1,941
Other debtors	-	40
	13,274	1,981

8 Borrowings falling due within one year	2002 £000	2001 £000
Bank loans and overdrafts	-	210
	-	210

9 Other creditors (amounts due within one year)	2002 £000	2001 £000
Amounts owed to Group undertakings	35,818	20,845
Taxation and social security	198	1,138
Other creditors	338	2,564
Accruals and deferred income	191	791
	36,545	25,338

10 Provisions for liabilities and charges

	As at 1 January 2002 £000	Profit and loss charge £000	Utilised in year £000	As at 31 December 2002 £000
Pension and other retirement benefits	504	(292)	-	212
Deferred corporation tax	-	-	-	-
	504	(292)	-	212

The £496,000 of pension contributions paid in the year have been recharged to Goldfish Bank Ltd.

Deferred corporation tax

There is no deferred taxation to disclose (2001: Nil). As required by FRS 19, deferred tax assets are only recognised when there is persuasive and reliable evidence that the assets can be realised. Detailed operating plans covering two years from the balance sheet date are used for deferred tax asset recognition *purposes. Potential deferred tax asset utilisation falling outside that planning horizon is not currently recognised on the balance sheet. As encouraged by FRS* 19, deferred tax asset recognition will be regularly assessed. The unrecognised potential deferred tax asset as at 31 December 2002 was £898,000 (2001: £1,000,266).

11 Called up share capital

	2002 £	2001 £
Authorised share capital of the Company		
100 Ordinary shares of £1 each	100	100
Allotted and fully paid share capital of the Company		
Ordinary shares of £1 each	2	2

12 Reserves

	Profit and loss account £000
As at 1 January 2002	(23,702)
Retained profit for the year	219
As at 31 December 2002	**(23,483)**

13 Movement in shareholder deficit

	2002 £m	2001 £m
Shareholder funds as at 1 January	(23,702)	(20,630)
Profit/(loss) attributable to the Company	219	(3,072)
Shareholder deficit as at 31 December	(23,483)	(23,702)

Notes to the accounts (continued)

14 Pensions

The Company had no employees in 2002. The Company acts as a payroll bureau for employees (including directors) of Goldfish Bank Ltd. The majority of these employees as at 31 December 2002 were members of the four main schemes in the Centrica plc Group: the Centrica Staff Pension Scheme, the AA Staff Pension Scheme, the Centrica Engineers Pension Scheme and the Centrica Management Pension Scheme.

These schemes have been treated as defined benefit schemes and their assets are held in a separate trustee administered funds. However, it is not possible on a reasonable and consistent basis to identify the Company's share of the underlying assets and liabilities within these schemes and therefore, as allowed within FRS17, these schemes have been treated for disclosure purposes as defined contribution schemes. The aggregate contributions to the schemes during the year were £496,902 (2001:£142,064). The amount outstanding at the balance sheet date was £Nil (2001:£Nil). The latest actuarial valuation of the schemes, prepared for the purposes of making the transitional disclosures in accordance with FRS17 in the consolidated financial statements of Centrica plc, show a total deficit of £781m (£547m net of deferred tax). Further details of this valuation can be found in the annual report of Centrica plc.

The liabilities under the pension schemes will be paid out over an extended period. The Company is contributing to the pension fund on the basis of actuarial advice as to the amounts required to meet these liabilities in full. This actuarial advice is based on formal triennial funding valuations, the last of which was as at 31 March 2001. As at 1 January 2002 the Company increased its contribution rates to the schemes on the basis of actuarial advice. Since then the Company has maintained its contribution levels.

15 Funding Facility

Centrica plc, the ultimate holding company, has indicated its intention to continue to provide financial support to the Company to ensure that it is able to discharge its liabilities as they fall due.

16 Related party transactions

As a wholly owned subsidiary of the Centrica group, the Company is exempt from the requirement to disclose related party transactions with other group undertakings under Financial Reporting Standard 8 which cancel on consolidation. There are no other related party transactions that require disclosure.

17 Ultimate holding Company and controlling party

The Company is a wholly owned subsidiary of Automobile Association Insurance Services Holdings Limited, a company registered in England and Wales.

The ultimate holding company and controlling party at 31 December 2002 was Centrica plc, which is incorporated in the United Kingdom and registered in England. Copies of the Centrica plc Report and Accounts can be obtained from Secretariat, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD. Centrica plc is the smallest and largest group to consolidate these financial statements.