

CENTRICA AMERICA LIMITED

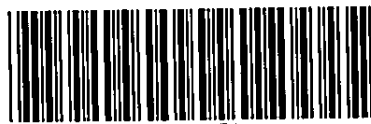
Annual Report and Accounts

For the year ended

31 December 2007

Registered No 4118195

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CENTRICA AMERICA LIMITED

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DIRECTORS' REPORT

For the year ended 31 December 2007

The Directors present their report and the audited Financial Statements of Centrica America Limited ("the Company") for the year ended 31 December 2007

Principal activities and future developments

The principal activity of the Company is to act as an investment holding company for Centrica Group companies

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

Financial results, dividends and business review

The results of the Company are set out on page 6

The Company recorded no profit or loss on ordinary activities after tax for the year (2006 US\$nil)

No dividends were paid for the year ended 31 December 2007 (2006 US\$nil)

Key performance indicators

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

Principal risk and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Centrica plc group ("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 25 to 27 of the Group's 2007 Annual Report and Accounts which does not form part of this report

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. Details of the Group's financial risk management policy are set out on page 69 of the Group's 2007 Annual Report and Accounts

Directors

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

I G Dawson
C Redcliffe
J A K Clark

Charitable and political donations

The Company made no political or charitable donations during the year (2006 \$nil)

DIRECTORS' REPORT

For the year ended 31 December 2007

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

Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually and Pricewaterhouse Coopers LLP will therefore continue in office

Disclosure of information to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that

- (1) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) each Director has taken all steps that he/she ought to have taken as a Director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information

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 the financial year.

In preparing those Financial Statements the Directors are required to

- select suitable accounting policies and then apply them consistently, except for changes arising on the adoption of new accounting standards,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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

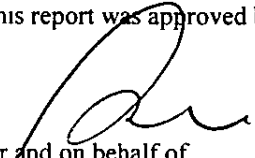
The Directors confirm that they have complied with the above requirements in preparing the Financial Statements

DIRECTORS' REPORT

For the year ended 31 December 2007

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.

This report was approved by the Board on 30 October 2008



for and on behalf of
Centrica Secretaries Limited
Company Secretary

30 October 2008

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRICA AMERICA LIMITED

We have audited the Financial Statements of Centrica America Limited for the year ended 31 December 2007 which comprise 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 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 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

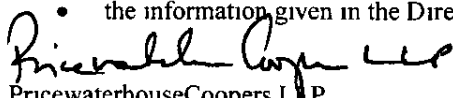
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the 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 2007
- 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

31 October

2008

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

The Company did not recognise any profit and loss during the year (2006 US\$Nil). There were no other recognised gains or losses (2006 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 8 to 11 form part of these Financial Statements.

BALANCE SHEET
As at 31 December 2007

	Note	2007 US\$000	2006 US\$000
FIXED ASSETS			
Fixed asset investments	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 account	7	174	174
Special reserve	7	210	210
SHAREHOLDER FUNDS	8	<u>901,380</u>	<u>901,380</u>

The Financial Statements on pages 6 to 11 were approved and authorised for issue by the Board of Directors on 30 October 2008 and were signed on its behalf by



Director

The notes on pages 8 to 11 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

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

Exemptions

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

The Financial Statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated Financial Statements as it and its subsidiary undertakings are included by full consolidation in the consolidated Financial Statements of its parent, Centrica plc, a company incorporated in the UK.

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 2007 US dollar to Sterling exchange rate used in the preparation of these Financial Statements was 1.98270 (2006: 1.95890).

Foreign currencies

Foreign currencies are translated into US dollars 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.

Fixed asset investments

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 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. Taxable profits or losses are subject to group relief without payment.

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 2007

2. DIRECTORS AND EMPLOYEES

There were no employees during the year (2006 nil) The Directors received no emoluments during the period ended 31 December 2007 (2006 US\$nil) in respect of their services to the Company

3. AUDITORS REMUNERATION

The remuneration of US\$5,972 (2006 US\$5,543) the auditors of the Company for audit services was borne by Centrica plc in this period and the last

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of Centrica America Limited In line with Tech 6/06, "Disclosure of auditor remuneration" issued by the ICAEW, it excludes fees in relation to the audit of the IFRS group consolidation schedules for the purpose of the Centrica Group audit, which are borne by Centrica Plc

4. FIXED ASSET INVESTMENTS

US\$000

As at 1 January and 31 December 2007

901,391

At 31 December 2007 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 US\$000	2006 US\$000
Amounts owed to Group undertakings	<u>11</u>	<u>11</u>

Amounts owed to Group undertakings are unsecured, repayable on demand and are interest free

6. CALLED UP SHARE CAPITAL

	2007 US\$000	2006 US\$000
Authorised		
500,000,000 ordinary shares of £1 sterling each (2006 500,000,000)	895,050	895,050
1,000,000,000 ordinary shares of US\$1 each (2006 1,000,000,000)	1,000,000	1,000,000
100,000,000 ordinary B shares of US\$1 each (2006 100,000,000)	<u>100,000</u>	<u>100,000</u>
	<u>1,995,050</u>	<u>1,995,050</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) (2006 100,000,000)	<u>100,000</u>	<u>100,000</u>
	<u>900,996</u>	<u>900,996</u>

(i) Of this amount, in both 2007 and 2006 US\$603,981,000 relates to 603,981,000 fully paid shares. There are in 2007 and 2006 200,000,000 Ordinary shares of US\$1 in issue partly paid to a value of US\$197,015,487

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

7. RECONCILIATION OF MOVEMENT IN RESERVES

	Special reserve US\$000 (i)	Profit and Loss account US\$000	Total US\$000
1 January 2007	210	174	384
Result for the financial year	-	-	-
31 December 2007	<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 SHAREHOLDER FUNDS

	2007 US\$000	2006 US\$000
Opening and closing shareholder funds	<u>901,380</u>	<u>901,380</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

9. IMMEDIATE AND ULTIMATE PARENT COMPANY

Centrica Beta Holdings Limited is the immediate parent of the 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 www.centrica.com