

CENTRICA AMERICA LIMITED

Annual Report and Accounts

For the year ended

31 December 2005

Registered No: 4118195



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ANNUAL REPORT AND ACCOUNTS 2005

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DIRECTORS' REPORT**For the year ended 31 December 2005**

The directors present their report and the audited financial statements of Centrica America Limited ("the Company") for the year ended 31 December 2005.

Principal activities and future developments

The principal activity of the Company is to act as an investment holding company.

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 and 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 (2004: US\$nil).

No dividends were paid for the year ended 31 December 2005 (2004: US \$nil).

Directors

The following served as directors throughout the year, and up to the date of signing the financial statements:

I G Dawson
C Redcliffe
J A K Clark

At no time during the year ended 31 December 2005 did any director have any interests in the shares of the Company or any other company in the Centrica group, except for interests in, and the options over, the shares and interests of the ultimate parent company, Centrica plc.

Directors' interests in shares (as defined by section 325 of the Companies Act 1985)

The directors with interests in and options over the ordinary shares of Centrica plc at the end of the year are as follows:

Beneficial interests in ordinary shares

	As at 31 December 2005	As at 31 December 2004
I G Dawson	316,128	237,906
J A K Clark	2,325	1,447
C Redcliffe	1,136	11,335

The figures above include shares held under the terms of the Centrica Share Incentive Plan.

DIRECTORS' REPORT**For the year ended 31 December 2005 (continued)****Directors' interests in shares (continued)****Centrica Sharesave scheme**

	As at 1 January 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	As at 31 December 2005
I G Dawson	15,336	-	-	-	15,336
J A K Clark	5,973	-	-	-	5,973
C Redcliffe	5,349	5,053	5,349	-	5,053

Options over shares in Centrica plc were granted under the terms of the Sharesave scheme on 6 April 2005 at an option price of 187.5 pence per share.

Centrica Long-term Incentive scheme (LTIS)

	As at 1 January 2005	Allocations granted during the year	Allocations vested during the year	Allocations lapsed during the year	As at 31 December 2005
I G Dawson	431,546	111,524	147,867	21,378	373,825
J A K Clark	161,280	48,961	33,777	10,262	166,202
C Redcliffe	95,903	29,236	18,722	5,688	100,729

Total allocations as at 31 December 2005 shown above are subject to challenging performance conditions. At the end of the performance period the Total Shareholder Return of Centrica plc will be assessed against that of the relevant LTIS comparator group. If, and to the extent that, the performance conditions are met, the relevant number of shares will be released to the directors at the Trustee's discretion as soon as practicable thereafter.

A conditional allocation of shares was made under the terms of the scheme on 1 April 2005 at a price of 228 pence per share.

Centrica Executive Share Option scheme (ESOS)

	As at 1 January 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	As at 31 December 2005
I G Dawson	1,096,036	297,397	-	-	1,393,433
J A K Clark	314,690	97,922	-	-	412,612
C Redcliffe	-	-	-	-	-

Under the terms of the ESOS a further grant of options was made on 1 April 2005 at an option price of 228 pence per share.

DIRECTORS' REPORT

For the year ended 31 December 2005 (continued)

Directors' interests in shares (continued)

Options were granted under the terms of the ultimate parent company's Sharesave scheme and ESOS and allocations made under the terms of the LTIS. Details of these schemes and the Share Incentive Plan can be found in the 2005 accounts of Centrica plc, copies of which can be obtained from www.centrica.com.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2005 (30 December) was 254.75 pence. The range during the year was 264.75 pence (high) and 217.50 pence (low).

As at 31 December 2005, nil shares and 2,591 shares (1 January 2005: 6,370,264 and 2,548) were held by the respective Trustees of the employee share trusts for the purposes of the LTIS and the Share Incentive Plan. As with other employees, the directors are deemed to have a potential interest in those shares, being beneficiaries under the trust.

There were no contracts of significance during or at the end of the financial year to which the Company or any subsidiary and associated undertakings is a party and in which any director is or was materially interested.

Charitable and political donations

The Company made no political or charitable donations during the year (2004: \$nil).

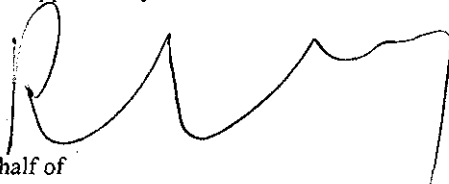
Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc and was in place throughout the year under review.

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 PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 30 October 2006.



for and on behalf of
Centrica Secretaries Limited
Company Secretary

30 October 2006

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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 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.

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.

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 2005 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

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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

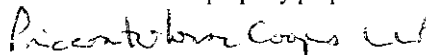
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


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



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PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

The Company did not recognise any profit and loss during the year (2004: Nil). There were no other recognised gains or losses (2004: Nil), and accordingly a Statement of Total Recognised Gains and Losses has not been presented.

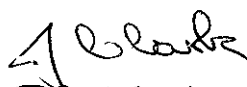
A statement of movements in shareholders funds is shown in note 8.

The notes on pages 8 to 11 form part of these financial statements.

BALANCE SHEET
As at 31 December 2005

	Note	2005 US\$000	2004 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		(11)	(11)
TOTAL ASSETS LESS CURRENT LIABILITIES		901,380	901,380
NET ASSETS		901,380	901,380
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	901,380	901,380

The financial statements on pages 6 to 11 were approved and authorised for issue by the board of directors on 30 October 2006 and were signed on its behalf by:


J.A.K. Clark
 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 2005

1. PRINCIPAL ACCOUNTING POLICIES

Accounting principles

The financial statements have been prepared in accordance with applicable UK accounting standards, consistently applied, and under the historical cost convention and the Companies Act 1985. The company has adopted FRS 17 "Retirement benefits", FRS 21, "Events after the balance sheet date", FRS 25, "Financial instruments: disclosure and presentation", FRS 28 "Corresponding amounts" in these financial statements. The adoption of these standards represents a change in accounting policy. There has been no impact on the current or prior year as a result of these changes in policy.

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; within FRS 2 "Accounting for Subsidiary Undertakings", from consolidating its subsidiary undertakings; and within FRS 8, "Related Party Disclosures", from disclosing 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.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into dollars at closing rates of exchange. Exchange differences on monetary assets and liabilities are taken to the profit and loss account. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction.

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 2005

2. DIRECTORS AND EMPLOYEES

There were no employees during the year (2004: nil). The directors are remunerated by other group undertakings in respect of their services to the Group, and this could not be allocated on a reasonable basis to the Company for either the current or prior year.

All three directors are members of the ultimate parent company's defined benefit pension scheme. Directors' interests are shown in the Directors' Report on pages 1 to 3. Details of the defined benefit pension scheme can be found in the Centrica plc 2005 Annual Report and Accounts.

3. OPERATING COSTS

The remuneration of the auditors of the Company for audit services was borne by Centrica plc in both 2005 and 2004.

4. FIXED ASSET INVESTMENTS

US\$000

As at 1 January and 31 December 2005

901,391

(i) At 31 December 2005 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	Proportion of nominal value of ordinary shares, or partnership interest held (%)
Centrica Finance (US) Limited (i)	Financing company	England and Wales	100
Centrica US Holdings Inc. (i)	Holding Company	USA	100
Bastrop Energy GP Inc. (ii)	Energy Supply	USA	100
CPL Retail Energy, LP (ii)	Energy supply	USA	100
Direct Energy, LP (ii)	Energy supply	USA	100
Centrica Bastrop Finance Holdings (ii)	Holding Company	England and Wales	100
Energy America, LLC (ii)	Energy supply	USA	100
Frontera Generation Limited Partnership (ii)	Energy Supply	USA	100
Direct Energy Marketing Inc. (ii)	Energy Supply	USA	100
WTU Retail Energy, LP (ii)	Energy supply	USA	100

(i) Principal undertaking held directly by the Company

(ii) Principal undertakings held indirectly by the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 US\$000	2004 US\$000
Amounts owed to group undertakings	(11)	(11)
	<u>(11)</u>	<u>(11)</u>

Amounts owed to group undertakings are repayable on demand and are interest free.

6. CALLED UP SHARE CAPITAL

	2005 US\$000	2004 US\$000
Authorised		
500,000,000 ordinary shares of £1 sterling each	895,050	895,050
1,000,000,000 ordinary shares of US\$1 each	1,000,000	1,000,000
100,000,000 ordinary B shares of US\$1 each	100,000	100,000
	<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)	100,000	100,000
	<u>900,996</u>	<u>900,996</u>

- (i) Of this amount, US\$603,981,000 relates to 603,981,944 fully paid shares. There are 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 US\$000	Total US\$000
1 January 2005	210	174	384
Result for the financial year	-	-	-
31 December 2005	<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. Because the amounts have not been realised, they have been excluded from distributable reserves.

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER FUNDS

	2005 US\$000	2004 US\$000
Shareholder funds as at 1 January	901,380	494,880
Issue of share capital	-	406,500
Shareholder funds as at 31 December	<u>901,380</u>	<u>901,380</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

9. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

10. 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.