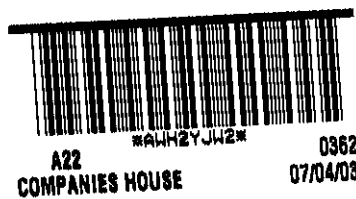


Company No. 1772586

**CENTRICA PERSONAL FINANCE LIMITED**  
**ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**



**CENTRICA PERSONAL FINANCE LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**CONTENTS**

Report of the Directors	1-2
Statement of Directors' Responsibilities	3
Independent Auditor's Report	4
Profit and Loss Account	5
Statement of Total Recognised Gains and Losses	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Accounts	8-15

CENTRICA PERSONAL FINANCE LIMITED

Company number

1772586

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

The Directors hereby submit their Report and the accounts for the year ended 31 December 2002.

<b>Results</b>	<u>£000</u>
The accounts of the company show a profit for the financial year of	16,827
Dividends: Interim dividend paid	(15,000)
Proposed dividend	(2,780)
	<hr/>
	(953)
The balance brought forward at 1 January 2002 was	964
	<hr/>
Leaving a balance to be carried forward of	11
	<hr/>

**Activities of the company**

The principal activity of the company is the provision of finance and associated services.  
No significant change in the company's activities is foreseen at the present time.

**Directors**

The Directors of the company during the year to 31 December 2002 were:-

G.J. Duggan	
K.F. Richardson	
J.B. Corcoran	
A.D. le Poidevin	
M.J. Cutbill	
C.L. Salmon	
G. Turner	
P.G. Tyer	(Resigned 13 December 2002)
D. Hodges	(Appointed 13 December 2002)

Mr A.D. le Poidevin resigned as a Director on 31 December 2002.

Mr G.W.E.D. Earle was appointed as a Director on 31 December 2002.

None of the Directors had an interest in the share capital of the company during the financial year.  
There are no directors' interests requiring disclosure under the Companies Act 1985.

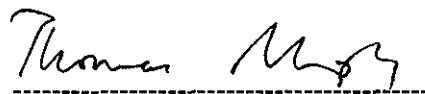
The Articles of Association do not provide for the retirement of Directors by rotation.

Continued.....

**CENTRICA PERSONAL FINANCE LIMITED****REPORT OF THE DIRECTORS (continued)****Auditors**

Our joint auditors, KPMG Audit Plc and PricewaterhouseCoopers, have expressed their willingness to continue in office.

**BY ORDER OF THE BOARD**

  
-----  
T.J.P. MURPHY

-----  
S. MAYER  
Joint Secretaries

Thistle House  
City Road  
Chester  
CH88 3AN

21 FEB 2003

**CENTRICA PERSONAL FINANCE LIMITED****REPORT OF THE DIRECTORS (continued)****Auditors**

Our joint auditors, KPMG Audit Plc and PricewaterhouseCoopers, have expressed their willingness to continue in office.

**BY ORDER OF THE BOARD**-----  
T.J.P. MURPHY-----  
  
S. MAYER  
Joint Secretaries

Thistle House  
City Road  
Chester  
CH88 3AN

21 FEB ----- 2003

**CENTRICA PERSONAL FINANCE LIMITED****DIRECTORS' ACCOUNTING RESPONSIBILITIES**

Company Law requires the directors to prepare financial statements 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 year. 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 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CENTRICA PERSONAL FINANCE LIMITED**

We have audited the financial statements on pages 5 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company 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.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
**MANCHESTER**

*KPMG Audit Plc.*

*21 February 2003*

**PRICEWATERHOUSECOOPERS**  
Chartered Accountants  
Registered Auditors  
**SOUTHAMPTON**

*Pricewaterhousecoopers*  
*21 February 2003*

## CENTRICA PERSONAL FINANCE LIMITED

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>Notes</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>(as restated)</u> <u>£000</u>
<b>Continuing</b>			
<b>Turnover</b>	2	92,540	68,785
Finance and trading costs		(60,474)	(38,996)
<b>Gross profit</b>		32,066	29,789
Administrative expenses		(8,027)	(4,715)
<b>Profit on ordinary activities before taxation</b>	3	24,039	25,074
Tax on profit on ordinary activities	4	(7,212)	(7,299)
<b>Profit after tax</b>		16,827	17,775
Interim dividend paid		(15,000)	-
Proposed dividend		(2,780)	(17,760)
<b>Retained profit/(loss) for the financial year</b>		(953)	15
Balance brought forward		964	949
Balance carried forward		11	964

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>(as restated)</u> <u>£000</u>
<b>Profit and total recognised gains and losses relating to the year</b>	16,827	17,775
Prior year adjustment (as explained in note 16)	957	
<b>Total gains and losses recognised since last annual report</b>	17,784	

There is no difference between the results for the year stated above and their historical cost equivalents.

The notes on pages 8 to 15 form part of the financial statements.



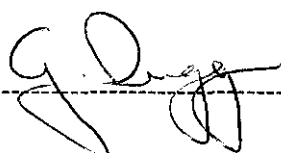
## CENTRICA PERSONAL FINANCE LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £000	2001 (as restated) £000
<b>Current assets</b>			
Debtors : receivable within one year		212,845	133,111
: receivable after one year		483,413	290,030
	5	696,258	423,141
Creditors: payable within one year	9	(616,302)	(308,443)
<b>Net current assets</b>		79,956	114,698
Creditors: payable after one year	9	(72,445)	(106,234)
Subordinated loan stock	10	(4,500)	(4,500)
		3,011	3,964
<b>Capital and Reserves</b>			
Called up share capital	12	3,000	3,000
Profit and loss account		11	964
<b>Equity shareholders' funds</b>	13	3,011	3,964

The notes on pages 8 to 15 form part of the financial statements.

Approved by the Board of Directors on 21 Feb 2003 and signed on its behalf by

 DIRECTOR

\_\_\_\_\_  
DIRECTOR

## CENTRICA PERSONAL FINANCE LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>(as restated)</u> <u>£000</u>
<b>Current assets</b>			
Debtors : receivable within one year		212,845	133,111
: receivable after one year		483,413	290,030
	5	696,258	423,141
Creditors: payable within one year	9	(616,302)	(308,443)
<b>Net current assets</b>		79,956	114,698
Creditors: payable after one year	9	(72,445)	(106,234)
Subordinated loan stock	10	(4,500)	(4,500)
		3,011	3,964
<b>Capital and Reserves</b>			
Called up share capital	12	3,000	3,000
Profit and loss account		11	964
<b>Equity shareholders' funds</b>	13	3,011	3,964

The notes on pages 8 to 15 form part of the financial statements.

Approved by the Board of Directors on 21 FEB 2003 and signed on its behalf by

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

## CENTRICA PERSONAL FINANCE LIMITED

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
<b>Operating activities</b>		
Net cash inflow from operating activities	45,146	17,666
<b>Returns on investments and servicing of finance</b>	-	-
<b>Taxation</b>		
Consortium relief and corporation tax paid	(8,203)	(7,026)
<b>Capital expenditure and financial investment</b>	-	-
<b>Acquisitions and disposals</b>	-	-
	<u>36,943</u>	<u>10,640</u>
<b>Equity dividend paid</b>	<u>(32,760)</u>	<u>(13,765)</u>
<b>Net cash outflow</b>	<u>4,183</u>	<u>(3,125)</u>
<b>Management of liquid resources</b>	-	-
<b>Financing</b>	-	-
<b>Increase/(decrease) in cash</b>	<u>4,183</u>	<u>(3,125)</u>

Notes on the cash flow statement are given on page 13.

**CENTRICA PERSONAL FINANCE LIMITED****NOTES ON THE ACCOUNTS****1. ACCOUNTING POLICIES****Basis of preparation**

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards, S226 of, and schedule 4 to, the Companies Act 1985 and in compliance with applicable SORPS.

**Finance earnings and insurance commission**

Income is recognised in each accounting year for the finance charges received and receivable on a basis which apportions charges over the periods during which repayments fall due.

A proportion of credit insurance income is recognised at commencement of an agreement with the remainder being spread in proportion to the amounts outstanding.

**Financial instruments**

Off balance sheet financial instruments are used to reduce exposures to fluctuations in interest rates and consist of interest rate swaps which are accounted for on an accruals basis in line with the treatment of the underlying items to which they are hedging.

**Provision for bad and doubtful debts**

Specific provisions are calculated using a formulae driven approach. The formulae driven assessment is made using statistical techniques developed based on previous experience. These formulae take into account factors such as the length of time that payments from the customer are overdue, the value of any collateral held and the level of past and expected losses, in order to derive an appropriate provision.

A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified, but which are known from experience to be present in portfolios of loans and advances. The level of general provision is determined in light of past experience, current economic and other factors affecting the business environment and management's monitoring and control procedures, including the scope of specific provisioning procedures.

Specific and general provisions are deducted from loans and advances. Provisions made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the profit and loss account.

**Deferred taxation**

Deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that they are considered recoverable.

Previously deferred tax was provided on the partial provision basis in accordance with SSAP 15. This change in accounting policy has resulted in the 2001 accounts being restated and a prior year adjustment being recognised, as described in note 16.

**CENTRICA PERSONAL FINANCE LIMITED****NOTES ON THE ACCOUNTS (continued)****2. TURNOVER**

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on instalment finance agreements and other personal loans together with income from associated services.

The turnover and pre-tax profit are attributable to one continuing activity, the provision of finance and associated services.

**3. PROFIT ON ORDINARY ACTIVITIES  
BEFORE TAXATION**

Profit is stated after charging:	<u>2002</u>	<u>2001</u>
		(as restated)
Interest payable to related undertakings	<u>£000</u>	<u>£000</u>
On short term loans and deposits		
- wholly repayable within 5 years	28,879	19,823
On subordinated loans	250	304
	<u>29,129</u>	<u>20,127</u>
Bank interest	24	44
Auditors' remuneration – audit	50	24

None of the Directors receive remuneration for services as Directors of the company.

The company has no employees. All its staff are jointly employed by a related undertaking which charges the company for its share of employee costs; these costs are included in administrative expenses.

During the financial year ended 31 December 2000 the company changed the basis of deferment of credit insurance commission resulting in a release to income of approximately £921,000 in the current financial year.

## CENTRICA PERSONAL FINANCE LIMITED

## NOTES ON THE ACCOUNTS (continued)

## 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2002</u>	<u>2001</u> (as restated)
(a) Analysis of tax charge in year	<u>£000</u>	<u>£000</u>
Current tax:		
UK tax charge on the profit for the year is made up as follows :		
Corporation tax at a rate of 30% (2001:30%)	7,825	7,531
Corporation tax prior year charge/(credit)	-	(223)
Total current tax	<u>7,825</u>	<u>7,308</u>
Deferred Tax:		
(Charge)/reversal of timing differences	(613)	(9)
Tax on profit on ordinary activities	<u>7,212</u>	<u>7,299</u>

## (b) Factors affecting tax charge for year

	<u>2002</u>	<u>2001</u> (as restated)
	<u>£000</u>	<u>£000</u>
Profit on ordinary activities before taxation	<u>24,039</u>	<u>25,074</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001:30%)	7,212	7,522
Effects of:		
General provision not deductible for tax purposes	613	9
Adjustment to tax charge in respect of previous years	-	(223)
Current tax charge for the year	<u>7,825</u>	<u>7,308</u>

## 5. DEBTORS

	<u>2002</u>	<u>2001</u> (as restated)
Receivable within one year	<u>£000</u>	<u>£000</u>
Instalment finance debtors	210,118	131,057
Deferred tax asset	480	310
Other debtors	<u>2,247</u>	<u>1,744</u>
	<u>212,845</u>	<u>133,111</u>
Receivable after one year		
	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Instalment finance debtors	482,323	289,383
Deferred tax asset	<u>1,090</u>	<u>647</u>
	<u>483,413</u>	<u>290,030</u>

## CENTRICA PERSONAL FINANCE LIMITED

## NOTES ON THE ACCOUNTS (continued)

## 6. NON-PERFORMING ASSETS

The aggregate amount of gross non-performing loans and advances is £62,065 thousand (2001: £57,776 thousand). Net of provisions, non-performing loans amount to £21,779 thousand (2001: £20,196 thousand).

## 7. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	<u>Specific</u> <u>£000</u>	<u>General</u> <u>£000</u>	<u>Total</u> <u>£000</u>
At 1 January 2002	41,031	3,190	44,221
New provisions less releases	14,661	2,004	16,665
Amounts written off	(11,704)	-	(11,704)
Cumulative provisions as at 31 December 2002	<u>43,988</u>	<u>5,194</u>	<u>49,182</u>
New provisions less releases	14,661	2,004	16,665
Recoveries of amounts previously written off	(412)	-	(412)
Net charge to profit and loss account	<u>14,249</u>	<u>2,004</u>	<u>16,253</u>

## 8. DEFERRED TAX

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>(as restated)</u> <u>£000</u>
Deferred tax asset brought forward	957	948
Movement in the year	613	9
Deferred tax asset carried forward	<u>1,570</u>	<u>957</u>

Deferred tax assets have arisen as a result of the general provision.

## CENTRICA PERSONAL FINANCE LIMITED

## NOTES ON THE ACCOUNTS (continued)

## 9. CREDITORS

	<u>2002</u>	<u>2001</u>
		(as restated)
<b>Amounts falling due within one year</b>	<u>£000</u>	<u>£000</u>
Amount owed to immediate related undertakings:		
Short term loans and deposits, Bank of Scotland	542,142	258,450
Current accounts, Bank of Scotland	56,469	7,645
Corporation tax	3,657	4,035
Overdraft at Bank of Scotland	2,451	6,634
Proposed dividend	2,780	17,760
Other creditors	8,803	13,919
	<u>616,302</u>	<u>308,443</u>
 <b>Amounts falling due after one year</b>	 <u>2002</u>	 <u>2001</u>
		(as restated)
	<u>£000</u>	<u>£000</u>
Amount owed to immediate parent undertaking and fellow subsidiary	72,445	106,234
	<u>72,445</u>	<u>106,234</u>
 The amount owed to immediate parent undertaking payable after one year is repayable:		
Between one and two years	38,385	63,637
Between two and five years	34,060	42,597
In five years or more	-	-
	<u>72,445</u>	<u>106,234</u>

## 10. SUBORDINATED LOAN STOCK

The loan stock has been issued to the holders of the 'A' and 'B' shares in equal amounts and is conditionally repayable at the company's option at par. The stock bears interest at 1½% per annum over the relevant LIBOR. It has been issued on the basis that it is subordinate to the claims of preferred creditors.



## CENTRICA PERSONAL FINANCE LIMITED

## NOTES ON THE ACCOUNTS (continued)

## 11. CASH FLOW STATEMENT

	<u>2002</u>	<u>2001</u> (as restated)
	<u>£000</u>	<u>£000</u>
<b>(a) Reconciliation of operating profit to net cash flow from operating activities</b>		
Operating profit	24,039	25,074
Increase/(decrease) in bad debt provisions	4,960	(4,423)
(Decrease)/increase in creditors	(5,116)	1,580
Net increase in debtors	(277,464)	(103,099)
Net increase in amounts owed to related undertakings	298,727	98,534
Net cash inflow from continuing operating activities	<u>45,146</u>	<u>17,666</u>

	<u>2002</u>	<u>2001</u> (as restated)
	<u>£000</u>	<u>£000</u>
<b>(b) Reconciliation of net cash flow to movement in net debt</b>		
Increase/(decrease) in cash in the year	4,183	(3,125)
Cash inflow from increase in debt	(298,727)	(98,534)
Change in net debt arising from cash flows	<u>(294,544)</u>	<u>(101,659)</u>
Movement in net debt in the year	(294,544)	(101,659)
Net debt at 1 January	(383,463)	(281,804)
Net debt at 31 December	<u>(678,007)</u>	<u>(383,463)</u>

<b>(c) Analysis of net debt</b>	At 1 January	Cash Flow	At 31 December
	<u>2002</u>		<u>2002</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Bank overdraft	(6,634)	4,183	(2,451)
Short term loans and deposits	(364,684)	(249,903)	(614,587)
Current accounts	(7,645)	(48,824)	(56,469)
Subordinated loan stock	(4,500)	-	(4,500)
	<u>(383,463)</u>	<u>(294,544)</u>	<u>(678,007)</u>

## CENTRICA PERSONAL FINANCE LIMITED

## NOTES ON THE ACCOUNTS (continued)

## 12. SHARE CAPITAL

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
<b>Authorised</b>		
'A' Ordinary shares of £1 each	2,500,000	2,500,000
'B' Ordinary shares of £1 each	2,500,002	2,500,002
	<u>5,000,002</u>	<u>5,000,002</u>
<b>Allotted, called up and fully paid</b>		
'A' Ordinary shares of £1 each	1,500,000	1,500,000
'B' Ordinary shares of £1 each	1,500,002	1,500,002
	<u>3,000,002</u>	<u>3,000,002</u>

The 'A' shares are held by Automobile Association Developments Limited and the 'B' shares are held by CAPITAL BANK plc.

## 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Shareholders' funds at 1 January	3,964	3,949
Profit for the financial year	16,827	17,766
Prior year adjustment (FRS19)	-	9
Dividend	(17,780)	(17,760)
Shareholders' funds at 31 December	<u>3,011</u>	<u>3,964</u>

## 14. RELATED PARTY TRANSACTIONS

During the year, in addition to those transactions disclosed separately in the accounts, the company had the following transactions with related parties:

Included within turnover is earned commission of £29,076,648 (2001: £21,548,749) in respect of credit insurance underwritten by companies within the CAPITAL BANK Group. The commission deferred and included in creditors at the end of the year was £5,536,020 (2001: £4,684,190).

Included within finance and trading costs is interest payable of £29,128,920 (2001: £20,126,842) in respect of funding provided by CAPITAL BANK plc and Automobile Association Developments Ltd of which £29,003,678 (2001: £19,973,910) is payable to CAPITAL BANK plc and £125,242 (2001: £152,932) is payable to Automobile Association Developments Ltd. The closing accrual of £6,148,227 (2001: £5,927,473) in respect of this funding is included within creditors.

Included in administrative expenses are charges of £7,977,302 (2001: £4,691,263) for services provided by CAPITAL BANK plc. CAPITAL BANK plc is a subsidiary undertaking of HBOS plc.

## 15. ULTIMATE OWNERSHIP

The company is a joint venture with 50% of the control being held by Automobile Association Developments Limited, a subsidiary of Centrica plc, and 50% by CAPITAL BANK plc, a subsidiary of HBOS plc.

**CENTRICA PERSONAL FINANCE LIMITED****NOTES ON THE ACCOUNTS (continued)****16. PRIOR YEAR ADJUSTMENT**

The prior year adjustment has resulted from a change in accounting policy. In accordance with FRS 19, deferred tax is to be recognised on a full provision basis, instead of on a partial provision basis, as was the case in previous accounting periods.

A deferred tax asset of £1,569,716 (2001: £957,062) has been created in the balance sheet and a prior year adjustment of £9,324 has been credited to the profit and loss account in 2001. The opening reserves for 2001 have been credited by £947,738, the amount of the deferred tax asset as at 31 December 2000.