

Company No. 1772586

CENTRICA PERSONAL FINANCE LIMITED
ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001



CENTRICA PERSONAL FINANCE LIMITED**Company number****1772586****REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2001**

The Directors hereby submit their Report and the accounts for the year ended 31 December 2001.

Results£000

The accounts of the company show a profit for the financial year of
A dividend is proposed of

17,766
(17,760)

6

The balance brought forward at 1 January 2001 was

1

Leaving a balance to be carried forward of

7

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 as at 31 December 2001 were:-

G.J. Duggan	M.J. Cutbill
K.F. Richardson	C.L. Salmon
J.B. Corcoran	G. Turner
A.D. le Poidevin	P.G. Tyer

Messrs J.B. Corcoran, A.D. le Poidevin, G. Turner, P.G. Tyer and Ms C.L. Salmon were appointed as Directors on 31 December 2001.

Mr G.J. Duggan was appointed as a Director on 29 June 2001.

Mr G.G. Masterton resigned as a Director on 29 June 2001.

Messrs M.S. Clare, R.J.Mee, D.J. Richards, P.R. Oakes and S.J Waugh resigned as Directors on 31 December 2001.

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.

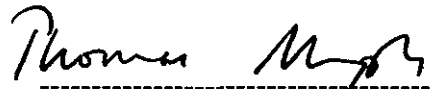
The Articles of Association do not provide for the retirement of Directors by rotation.

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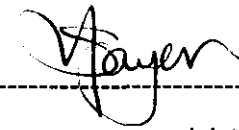
CENTRICA PERSONAL FINANCE LIMITED**REPORT OF THE DIRECTORS (continued)****Auditors**

Our joint auditors, KPMG Audit Plc and PricewaterhouseCoopers, have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



T.J.P. MURPHY



S. MAYER
Joint Secretaries

Thistle House
City Road
Chester
CH88 3AN

30 MAY 2002

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

The directors are required to prepare accounts for each financial year which comply with Part VII of the Companies Act 1985 and which give a true and fair view of the state of affairs of the company as at the end of the year and of the profit or loss for the year. The directors consider that in preparing the accounts on pages 5 to 13 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Accounting Standards which they consider applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with Part VII of 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.

The directors are satisfied that it is appropriate for these accounts to have been prepared on a going concern basis.

The directors acknowledge their responsibility for the maintenance of systems of internal control, the effectiveness of which they regularly review. These controls are designed to provide reasonable (but cannot provide absolute) assurance on the reliability of the company's systems for identification and management of risk, the maintenance of proper control over the assets and liabilities of the company and the accuracy and reliability of the company's information system.

INDEPENDENT AUDITORS' REPORT
to the members of Centrica Personal Finance Limited

We have audited the financial statements on pages 5 to 13.

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 2001 and of its profit and cash flows 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 30 MAY 2002

PRICEWATERHOUSECOOPERS
Chartered Accountants
Registered Auditors
SOUTHAMPTON

PricewaterhouseCoopers 30 MAY 2002

CENTRICA PERSONAL FINANCE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001**

	<u>Notes</u>	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
TURNOVER	2	68,785	60,405
Finance and trading costs		(38,996)	(34,352)
GROSS PROFIT		29,789	26,053
Administrative expenses		(4,715)	(6,431)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	25,074	19,622
Tax on profit on ordinary activities	4	(7,308)	(5,860)
PROFIT FOR THE FINANCIAL YEAR		17,766	13,762
Proposed dividend		(17,760)	(13,765)
Retained profit/(loss) for the financial year		6	(3)
Balance brought forward		1	4
BALANCE CARRIED FORWARD		7	1

There are no recognised gains and losses other than those shown above.

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

The notes on pages 8 to 13 form part of the financial statements.

All the amounts included in the profit and loss account above are in respect of continuing activities.

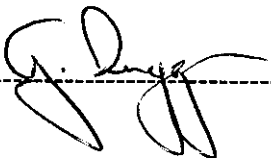
CENTRICA PERSONAL FINANCE LIMITED

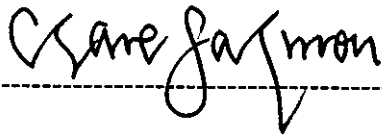
BALANCE SHEET AS AT 31 DECEMBER 2001

	<u>Notes</u>	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
CURRENT ASSETS			
Debtors : receivable within one year		132,801	98,012
: receivable after one year		289,383	216,650
	6	422,184	314,662
CREDITORS: payable within one year	7	(308,443)	(211,265)
NET CURRENT ASSETS		113,741	103,397
CREDITORS: payable after one year	7	(106,234)	(95,896)
Subordinated loan stock	8	(4,500)	(4,500)
		3,007	3,001
CAPITAL AND RESERVES			
Share capital	11	3,000	3,000
Profit and loss account		7	1
EQUITY SHAREHOLDERS' FUNDS	12	3,007	3,001

The notes on pages 8 to 13 form part of the financial statements.

Approved by the Board of Directors on 30 MAY 2002 and signed on its behalf by

 DIRECTOR

 DIRECTOR

CENTRICA PERSONAL FINANCE LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Operating activities		
Net cash inflow from operating activities	17,666	13,506
Returns on investments and servicing of finance	-	-
Taxation		
Consortium relief and corporation tax paid	(7,026)	(4,841)
Capital expenditure and financial investment	-	-
Acquisitions and disposals	-	-
	<u>10,640</u>	<u>8,665</u>
Equity dividend paid	(13,765)	(8,960)
Net cash outflow	<u>(3,125)</u>	<u>(295)</u>
Management of liquid resources	-	-
Financing	-	-
Decrease in cash	<u>(3,125)</u>	<u>(295)</u>

Notes on the cash flow statement are given on page 11.

CENTRICA PERSONAL FINANCE LIMITED**NOTES ON THE ACCOUNTS****1. ACCOUNTING POLICIES****Accounting convention**

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

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 debts

Provisions are made so as to state debtors at their estimated recoverable amounts. The provisions are based on an estimate according to previous bad debt experience and the Director's best estimate of future recoverability.

Deferred taxation

Deferred taxation is provided on the liability method on those timing differences which are considered likely to reverse in the foreseeable future.

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.

CENTRICA PERSONAL FINANCE LIMITED

NOTES ON THE ACCOUNTS (continued)

3. PROFIT ON ORDINARY ACTIVITIES	<u>2001</u>	<u>2000</u>
BEFORE TAXATION	<u>£000</u>	<u>£000</u>

Profit is stated after charging:

Interest payable to related undertakings

On short term loans and deposits

- wholly repayable within 5 years

On subordinated loans

19,823 16,763

304 347

20,127 17,110

Bank interest

44 9

Auditors' remuneration – audit

24 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 previous financial year the company changed the basis of deferment of credit insurance commission resulting in a release to income of approximately £1,500,000 in the current financial year.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>

The tax charge based on the profit for the year is made up as follows:

Corporation tax at a rate of 30% (2000:30%)

7,531 5,860

Over provision in respect of previous year

(223) -

7,308 5,860

5. INVESTMENTS

On 12 December 2001 Centrica Credit Limited was incorporated in England. The share capital of this company is owned 75% by Centrica Personal Finance Limited and 25% by Inchcape Financial Services Ltd.

Centrica Credit Limited had not commenced trading as at 31 December 2001. Consolidated financial statements have not been prepared by the company this year, having relied upon the exemption under s229 of the Companies Act 1985 on grounds of materiality.

CENTRICA PERSONAL FINANCE LIMITED

NOTES ON THE ACCOUNTS (continued)

6. DEBTORS

	<u>2001</u>			<u>2000</u>		
	<u>Receivable</u>		<u>Total</u>	<u>Receivable</u>		<u>Total</u>
	<u>Within</u>	<u>After</u>		<u>Within</u>	<u>After</u>	
	<u>one</u>	<u>one</u>		<u>one</u>	<u>one</u>	
	<u>year</u>	<u>year</u>		<u>year</u>	<u>year</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Instalment finance debtors	131,057	289,383	420,440	97,877	216,650	314,527
Other debtors	1,744	-	1,744	135	-	135
	<u>132,801</u>	<u>289,383</u>	<u>422,184</u>	<u>98,012</u>	<u>216,650</u>	<u>314,662</u>

7. CREDITORS

	<u>2001</u>		<u>2000</u>	
	<u>Payable</u>		<u>Payable</u>	
	<u>Within</u>	<u>After</u>	<u>Within</u>	<u>After</u>
	<u>one</u>	<u>one</u>	<u>one</u>	<u>one</u>
	<u>year</u>	<u>year</u>	<u>year</u>	<u>year</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts owed to related undertakings:				
Short term loans and deposits				
Bank of Scotland	258,450	106,234	174,578	95,896
Current accounts				
Bank of Scotland	7,645	-	3,321	-
	<u>266,095</u>	<u>106,234</u>	<u>177,899</u>	<u>95,896</u>
Bank overdraft at Bank of Scotland	6,634	-	3,509	-
Corporation tax	4,035	-	3,753	-
Proposed dividend	17,760	-	13,765	-
Other creditors	13,919	-	12,339	-
	<u>308,443</u>	<u>106,234</u>	<u>211,265</u>	<u>95,896</u>
Short term loans and deposits are repayable:				
Within one year	258,450	-	174,578	-
Between one and two years	-	63,637	-	56,238
Between two and five years	-	42,597	-	39,658
	<u>258,450</u>	<u>106,234</u>	<u>174,578</u>	<u>95,896</u>

8. 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)

9. DEFERRED TAXATION

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Deferred tax asset not recognised in the accounts in respect of short term timing differences	<u>957</u>	<u>1,413</u>

10. CASH FLOW STATEMENT

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
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(a) Reconciliation of operating profit to net cash flow from operating activities

Operating profit	25,074	19,622
(Decrease)/increase in bad debt provisions	(4,423)	139
Net increase/(decrease) in creditors	1,580	(3,481)
Net increase in debtors	(103,099)	(27,205)
Net increase in amounts owed to related undertakings	98,534	24,431
Net cash inflow from continuing operating activities	<u>17,666</u>	<u>13,506</u>

(b) Reconciliation of net cash flow to movement in net debt

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Decrease in cash in the year	(3,125)	(295)
Cash inflow from increase in debt	(98,534)	(24,431)
Change in net debt arising from cash flows	<u>(101,659)</u>	<u>(24,726)</u>
Movement in net debt in the year	(101,659)	(24,726)
Net debt at 1 January	<u>(281,804)</u>	<u>(257,078)</u>
Net debt at 31 December	<u>(383,463)</u>	<u>(281,804)</u>

(c) Analysis of net debt

	At 1 January <u>2001</u> <u>£000</u>	Cash Flow <u>£000</u>	At 31 December <u>2001</u> <u>£000</u>
Bank overdraft	(3,509)	(3,125)	(6,634)
Short term loans and deposits	(270,474)	(94,210)	(364,684)
Current accounts	(3,321)	(4,324)	(7,645)
Subordinated loan stock	(4,500)	-	(4,500)
	<u>(281,804)</u>	<u>(101,659)</u>	<u>(383,463)</u>

CENTRICA PERSONAL FINANCE LIMITED

NOTES ON THE ACCOUNTS (continued)

11. SHARE CAPITAL	<u>2001</u>	<u>2000</u>
Authorised		
'A' Ordinary shares of £1 each	2,500,000	2,500,000
'B' Ordinary shares of £1 each	2,500,002	2,500,000
	<hr/> 5,000,002	<hr/> 5,000,000
Allotted, called up and fully paid		
'A' Ordinary shares of £1 each	1,500,000	1,500,000
'B' Ordinary shares of £1 each	1,500,002	1,500,000
	<hr/> 3,000,002	<hr/> 3,000,000

The 'A' shares are held by Automobile Association Developments Limited and the 'B' shares are held by CAPITAL BANK plc. The two additional 'B' shares, with nominal value of £1 each, were issued at par to CAPITAL BANK plc on the 14 December 2001.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Shareholders' funds at 1 January	3,001	3,004
Profit for the financial year	17,766	13,762
Dividend	(17,760)	(13,765)
Shareholders' funds at 31 December	<hr/> 3,007	<hr/> 3,001

13. 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 £21,548,749 (2000: £16,614,592) 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 £4,684,190 (2000: £6,752,911).

Included within finance and trading costs is interest payable of £20,126,842 (2000: £17,110,328) in respect of funding provided by CAPITAL BANK plc and Automobile Association Developments Ltd of which £19,973,910 (2000: £16,936,878) is payable to CAPITAL BANK plc and £152,932 (2000: £173,450) is payable to Automobile Association Developments Ltd. The closing accrual of £5,927,473 (2000: £5,862,415) in respect of this funding is included within creditors.

Included in administrative expenses are charges of £4,691,263 (2000: £6,406,980) for services provided by CAPITAL BANK plc. CAPITAL BANK plc is a subsidiary undertaking of Bank of Scotland.

CENTRICA PERSONAL FINANCE LIMITED**NOTES ON THE ACCOUNTS (continued)****14. ULTIMATE OWNERSHIP**

The company is a joint venture with 50% of the issued share capital, and 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.