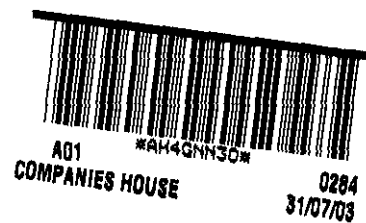


**CENTRICA FINANCE (CANADA) LIMITED**

**Annual Report and Accounts**

**For the year ended**

**31 December 2002**



**ANNUAL REPORT AND ACCOUNTS 2002**

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## DIRECTORS' REPORT

The directors present their report and the audited financial statements of Centrica Finance (Canada) Limited (the "Company") for the year ended 31 December 2002. Comparatives are for the period 14 August 2000 to 31 December 2001.

### Principal activities

The principal activity of the Company is the provision of financing in Canadian dollars to other group companies. Canadian dollars have been adopted in presenting the financial statements.

### Financial results and business review

The results of the Company are set out on page 8.

The Company recorded a profit on ordinary activities after tax of C\$2.7 million for the year ended 31 December 2002 (Loss of C\$6.9 million for the period ended 31 December 2001).

### Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2002 (period ended 31 December 2001: C\$nil).

### Directors' interests

The following served as directors throughout the year:

I G Dawson

P K Bentley

I R Stephens           resigned 10/6/2003

C Redcliffe

At no time during the year ended 31 December 2002 did any director have any interest in the shares of the Company or any other company in the Centrica plc group, except for the interests in, and the options over, the shares and interests of the ultimate parent company, Centrica plc. Details of the interests of P K Bentley in the shares and options over shares in Centrica plc are shown in the 2002 Centrica plc Annual Report and Accounts. Details of the interests in the remaining directors were as follows:

### Beneficial interests in ordinary shares (i)

	As at 31 December 2002	As at 31 December 2001
I G Dawson	105,957	33,621
C Redcliffe	NIL	NIL
I R Stephens	43,660	6,414

- (i) The figures above include shares appropriated under the terms of the Centrica profit sharing scheme, and shares held under the Centrica share incentive plan (SIP). \*\*

**DIRECTORS' REPORT (continued)****Sharesave Scheme (i)**

	As at 31 December 2002	Exercised during year	Granted during year	As at 31 December 2001
I G Dawson	4,781	-	-	4,781
C Redcliffe	5,349	-	5,349	NIL
I R Stephens	13,074	22,306	5,591	29,789

- (i) Options over shares in Centrica plc were granted in June 1998, June 2000 and April 2002 at an option price of 92.2, 202.6 and 177.6 pence per share respectively under an all-employee savings-related share option scheme, the Sharesave scheme.\*\*

**Executive Share Option Scheme (i)**

	As at 31 December 2002	Exercised during year	Granted during year	As at 31 December 2001
I G Dawson	452,950	-	244,661	208,289
C Redcliffe	NIL	-	-	NIL
I R Stephens	NIL	-	-	NIL

- (i) Options were granted on 2 April 2002 at an option price of 224.8p under the terms of the Executive share option scheme.\*\*

**Long Term Incentive Scheme (i)**

	As at 31 December 2002	Exercised during year	Granted during year (ii)	As at 31 December 2001
I G Dawson	500,396	333,913	91,748	742,561
C Redcliffe	50,026	-	24,410	25,616
I R Stephens	131,361	84,531	23,020	192,872

- (i) Total allocations as at 31 December 2002 shown above include both notional allocations of shares that are subject to performance conditions and awards of shares that have reached the conclusion of the performance period but are subject to a two year retention period.
- (ii) A notional allocation of shares was made under this scheme on 2 April at a market price at allocation of 227.00 pence.

## DIRECTORS' REPORT (continued)

### Long Term Incentive Scheme (continued)

The middle market price of Centrica plc ordinary share on the last day of trading of 2002 (31 December) was 171.00 pence. The range during the year was 239.00 pence (high) and 150.00 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 period to which the Company is a party and in which any director is or was materially interested.

### **Directors' and officers' liability**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc.

### **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.

The Company has passed elective resolutions to dispense with the need to hold Annual General Meetings and the laying of financial statements before them and with the need to reappoint auditors annually.

By order of the Board



Philip Davies

for and on behalf of

Centrica Secretaries Limited

Company Secretary

18 July 2003

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire SL4 5GD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS**

The directors are required by the Companies Act 1985 to prepare financial statements for each period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 8 to 13 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all accounting standards which they consider to be 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 financial statements comply with the Companies Act 1985.

The directors 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 member of Centrica Finance Canada Limited

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

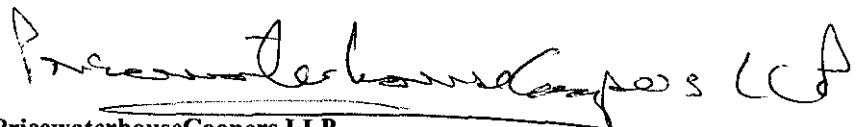
### Basis of audit opinion

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**  
Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2002

	Notes	Year ended 31 Dec 2002 C\$000	Period ended 31 Dec 2001 C\$000
Interest payable		(31,524)	(61,445)
Interest receivable		34,192	54,532
Net interest	4	2,668	(6,913)
<b>Profit/(loss) on ordinary activities before taxation</b>		2,668	(6,913)
Taxation on profit/(loss) on ordinary activities	5	-	-
<b>Profit/(loss) on ordinary activities after taxation for The financial period</b>		2,668	(6,913)
<b>Profit/(loss) transferred to reserves</b>	10	2,668	(6,913)

There are no gains or losses in the period other than those recognised in the profit and loss account.

The notes on pages 10 to 13 form part of these financial statements.

**BALANCE SHEET**  
**As at 31 December 2002**

	Notes	2002 C\$000	2001 C\$000
<b>CURRENT ASSETS</b>			
Debtors (amounts falling due within one year)	6	75,814	54,058
Debtors (amounts falling due after more than one year)	6	813,297	813,297
Current asset investments		-	473
Cash at bank and in hand		-	1
		<u>889,111</u>	<u>867,829</u>
<b>CREDITORS (amounts falling due within one year)</b>			
Other creditors	7	<u>(80,059)</u>	<u>(61,445)</u>
<b>NET CURRENT ASSETS</b>		<u>809,052</u>	<u>806,384</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		809,052	806,384
<b>CREDITORS: amounts falling due after more than one year</b>			
Convertible loan note	8	<u>(813,297)</u>	<u>(813,297)</u>
<b>NET LIABILITIES</b>		<u>(4,245)</u>	<u>(6,913)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	-	-
Profit and loss account	10	<u>(4,245)</u>	<u>(6,913)</u>
<b>SHAREHOLDER DEFICIT</b>	11	<u>(4,245)</u>	<u>(6,913)</u>

The financial statements were approved by the board of directors on 18 July 2003 and were signed on its behalf by:

  
 C. Redcliffe  
 Director

The notes on pages 10 to 13 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 provide financial support to the Company.

#### Exemptions

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

#### Taxation

Current tax, including UK corporation 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.

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.

### 2. DIRECTORS' EMOLUMENTS

No Directors received emoluments in respect of their services to the Company for the year ended 31 December 2002 or the period ended 31 December 2001. All directors of the Company were members of one of the ultimate parent company's defined benefit schemes.

### 3. COSTS

The remuneration of the auditors of the Company for audit services was borne by Centrica plc in both the year ended 31 December 2002 and the period ended 31 December 2001.

The Company had no employees during the year ended 31 December 2002 or the period ended 31 December 2001, hence no employee costs.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 4. NET INTEREST

	Year ended 31 Dec 2002 C\$000	Period ended 31 Dec 2001 C\$000
Interest payable to group companies	(31,524)	(61,445)
Interest receivable from group companies	34,192	54,057
Interest receivable from third parties	-	475
Net interest receivable/(payable)	<u>2,668</u>	<u>(6,913)</u>

## 5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

## The tax charge comprises:

	2002 C\$000	2001 C\$000
Corporation tax at 30%	-	-
Deferred tax	-	-
- current year	-	-
Total tax on profit/(loss) on ordinary activities	<u>-</u>	<u>-</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002 C\$000	2001 C\$000
Profit/(loss) on ordinary activities before tax	<u>2,668</u>	<u>(6,913)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30%	800	(2,074)
Effects of:		
Group relief not paid for	(800)	2,074
Current tax charge for the period	<u>-</u>	<u>-</u>

## 6. DEBTORS

	2002 Within one year C\$000	2002 After one year C\$000	2001 Within one year C\$000	2001 After one year C\$000
Amounts falling due				
Amounts owed by group undertakings	75,812	813,297	54,056	813,297
Other debtors	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
	<u>75,814</u>	<u>813,297</u>	<u>54,058</u>	<u>813,297</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7. OTHER CREDITORS

Amounts falling due	2002	2002	2001	2001
	Within one year C\$000	After one year C\$000	Within one year C\$000	After one year C\$000
Interest payable on convertible loan notes	80,059	-	61,445	-
	<u>80,059</u>	<u>-</u>	<u>61,445</u>	<u>-</u>

## 8. CONVERTIBLE LOAN NOTE

Amounts falling due	2002	2002	2001	2001
	Within one year C\$000	After one year C\$000	Within one year C\$000	After one year C\$000
Convertible loan notes	-	813,297	-	813,297
	<u>-</u>	<u>813,297</u>	<u>-</u>	<u>813,297</u>

A convertible loan note between the Company and Centrica plc was signed on 21 December 2000 for C\$205,297,423.28. On the final redemption date of 21 December 2010 the Company must repay the principal amount. Under the agreement, Centrica plc can exercise its right to subscribe at par for ordinary shares of the Company at the rate of 102 ordinary shares for each C\$100 original issue amount of the loan note. This right is exercisable once only, and is exercisable on each interest payment date (21 December) or within 20 business days of receipt of a company notice. Interest is payable annually, calculated using the C\$ 1 year LIBOR two business days prior to the first day of the period (21 December).

A convertible loan note between the Company and Centrica plc was signed on 17 August 2000 for C\$608,000,000.00. On the final redemption date of 18 August 2010 the Company must repay the principal amount. Under the agreement, Centrica plc can exercise its right to subscribe at par for ordinary shares of the Company at the rate of 102 ordinary shares for each C\$100 original issue amount of the loan note. This right is exercisable once only, and is exercisable on each interest payment date (18 August) or within 20 business days of receipt of a company notice. Interest is payable annually, calculated using the C\$ 1 year LIBOR two business days prior to the first day of the period (18 August) plus 0.25%.

## 9. CALLED UP SHARE CAPITAL

	2002 C\$000	2001 C\$000
Authorised		
1,000,000,000 ordinary shares of C\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Called up, allotted and fully paid		
2 ordinary shares of C\$1 each	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 10. RECONCILIATION OF MOVEMENT IN RESERVES

	Profit and loss C\$000
As at 31 December 2001	(6,913)
Profit for the financial year	2,668
	<hr/>
As at 31 December 2002	(4,245)
	<hr/>

## 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER DEFICIT

	2002 C\$000	2001 C\$000
Shareholder deficit as at beginning of the period	(6,913)	-
Profit/(loss) on ordinary activities after taxation for the financial period	2,668	(6,913)
	<hr/>	<hr/>
Shareholder deficit as at 31 December	(4,245)	(6,913)
	<hr/>	<hr/>

## 12. SUBSEQUENT EVENTS

On 31 March 2003, Centrica plc subscribed in cash for approximately C\$781 million of ordinary share capital of the Company. This cash was used to repay amounts owing to Centrica plc including the convertible loans detailed in Note 8. Subsequently on 31 March, GB Gas Holdings Limited and Centrica plc transferred their entire holdings of ordinary share capital of the Company, representing all of the Company's issued share capital, to Centrica Gamma Holdings Limited.

On 1 April 2003, Centrica Gamma Holdings Limited subscribed in cash for a further C\$57 million of ordinary share capital of the Company.

## 13. ULTIMATE PARENT COMPANY

GB Gas 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 the Company Secretary, Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.