

CENTRICA FINANCE (CANADA) LIMITED

Annual Report and Accounts

For the year ended

31 December 2005

Registered No : 4055254



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 Finance (Canada) Limited ("the Company") for the year ended 31 December 2005.

Principal activities and future developments

The principal activity of the Company is the provision of financing in Canadian dollars to other group companies. The directors believe that the currency of the primary economic environment in which the company operates and generates net cash flows is Canadian dollars and accordingly the financial statements have been prepared in Canadian dollars. The directors intend that the Company will continue to provide financing in Canadian dollars to other group companies for the foreseeable future.

Financial results, business review and dividends

The results of the Company are set out on page 7. The Company recorded a profit on ordinary activities after tax of C\$21.6 million for the year ended 31 December 2005 (2004: C\$20.4 million profit). C\$21.6 million has been transferred to reserves.

On 25 August 2005, the authorised share capital of the Company was increased from 1,000,000,000 ordinary shares of C\$1 each to 3,000,000,000 ordinary shares of C\$1 each.

On 7 September 2005, the Company purchased 100% of the issued share capital of Centrica KPS Limited (formerly Centrica Generation Limited) from Centrica Gamma Holdings Limited for consideration of 147,669,750 ordinary shares of C\$1 each at par value.

On the same day, the Company transferred its investment in Centrica KPS Limited (formerly Centrica Generation Limited) to Centrica Delta Limited, in return for an issue of 147,669,750 ordinary shares of C\$1 each.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: C\$nil).

Directors

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

I G Dawson

P K Bentley

C Redcliffe

J A K Clark

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

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

P K Bentley is also a director of Centrica plc, the Company's ultimate parent company and details of his interests in the shares and options over shares in Centrica plc are shown in the 2005 Accounts of Centrica plc.

Details of the interests for the remaining directors were as follows:

DIRECTORS' REPORT
For the year ended 31 December 2005 (continued)

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

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 disclosed include shares held under the terms of the Centrica Share Incentive Plan

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 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.

DIRECTORS' REPORT

For the year ended 31 December 2005 (continued)

Directors' interests in shares (continued)**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

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.

Options were granted under the terms of the ultimate parent company's Sharesave scheme, 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 217.5 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 subsisting during or at the end of the financial year to which the Company is a party and in which any director is or was materially interested.

Charitable and political donations

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

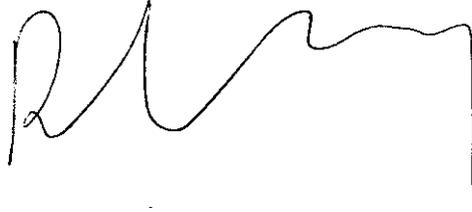
DIRECTORS' REPORT
For the year ended 31 December 2005 (continued)

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 FINANCE
(CANADA) LIMITED**

We have audited the financial statements of Centrica Finance (Canada) 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
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

	Notes	2005 C\$000	2004 C\$000
Interest receivable and similar income	4	22,807	21,631
Interest payable and similar charges	5	(651)	(576)
Profit on ordinary activities before taxation		<u>22,156</u>	<u>21,055</u>
Taxation on profit on ordinary activities	6	<u>(557)</u>	<u>(698)</u>
Profit on ordinary activities after taxation for the year		<u>21,599</u>	<u>20,357</u>
Transfer to reserves	12	<u>21,559</u>	<u>20,357</u>

All activities relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and its historic cost equivalents.

There are no gains or losses in the period other than those recognised in the profit and loss account, and accordingly no Statement of Recognised Gains and Losses has been presented.

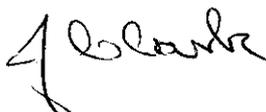
A statement of movements in shareholders' funds is shown in note 13.

The notes on pages 9 to 13 form part of these financial statements.

BALANCE SHEET
As at 31 December 2005

	Notes	2005 C\$000	2004 C\$000
FIXED ASSETS			
Investments	7	574,417	426,747
CURRENT ASSETS			
Debtors (amounts falling due within one year)	8	543,617	521,345
CREDITORS (amounts falling due within one year)	9	(1,334)	(1,313)
NET CURRENT ASSETS		<u>542,283</u>	<u>520,032</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,116,700	946,779
CREDITORS (amounts falling due after more than one year)	10	(12,767)	(12,115)
NET ASSETS		<u>1,103,933</u>	<u>934,664</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,034,232	886,562
Profit and loss account	12	69,701	48,102
TOTAL EQUITY SHAREHOLDERS FUNDS	13	<u>1,103,933</u>	<u>934,664</u>

The financial statements on pages 7 to 13 were approved and authorised for issue by the board of directors on 30/10/2006 and were signed on its behalf by:


 Director
 J A K CLARK

The notes on pages 9 to 13 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.

Reporting currency

The directors consider that the currency of the primary economic environment in which the company operates and generates net cash flows is Canadian dollars. Accordingly the financial statements have been prepared in Canadian dollars. The Canadian dollar to Sterling exchange rate at 31 December 2005 used in the preparation of these financial statements was 2.00170.

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 (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.

Notional interest arising on discounted items

Notional interest arises where amounts payable or receivable in the longer term are recognised at their net present value at inception. The unwinding of the discount is included in the profit and loss account within interest.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005 (continued)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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 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 directors of the Company were members of one of the ultimate parent company's defined benefit schemes. Details of the defined benefit pension schemes 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 the years ended 31 December 2005 and 2004.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	C\$000	C\$000
Interest receivable	-	1,085
Interest receivable from group companies	22,807	20,546
	<u>22,807</u>	<u>21,631</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	C\$000	C\$000
Notional interest arising on discounted items	(651)	(576)
	<u>(651)</u>	<u>(576)</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:	2005	2004
	C\$000	C\$000
Overseas tax		
- current year	557	698
Total tax on profit on ordinary activities	<u>557</u>	<u>698</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005 (continued)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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:

	2005 C\$000	2004 C\$000
Profit on ordinary activities before tax	<u>22,156</u>	<u>21,055</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	6,647	6,317
Effects of:		
Expenses not deductible / income not taxable and other permanent differences	195	-
Overseas tax unrelieved	-	173
Group relief received for nil consideration	<u>(6,285)</u>	<u>(5,792)</u>
Current tax charge for the year	<u>557</u>	<u>698</u>

7 FIXED ASSET INVESTMENTS

	2005 C\$000	2004 C\$000
Cost		
1 January	426,747	50
Additions (i)	295,340	426,697
Disposals (ii)	<u>(147,670)</u>	<u>-</u>
31 December	<u>574,417</u>	<u>426,747</u>

The Company holds 520,000,000 non-voting "B" ordinary shares in Centrica Delta Limited, a company incorporated in the Isle of Man, representing 99.99% of the issued "B" ordinary shares.

- (i) On 7 September 2005, the Company purchased 100% of the issued share capital of Centrica KPS Limited (formerly Centrica Generation Limited) from Centrica Gamma Holdings Limited for consideration of 147,669,750 ordinary shares of C\$1 each at par value.
- (ii) On the same day, the Company transferred its investment in Centrica KPS Limited (formerly Centrica Generation Limited) to Centrica Delta Limited, in return for an issue of 147,669,750 ordinary shares of C\$1 each.

The Company has a contingent liability owed to National Westminster Bank plc arising on the "B" ordinary shares in Centrica Delta Limited. In the event that certain financing arrangements were to terminate early, the company would be required to pay National Westminster bank plc an additional amount of up to C\$57,965,969.

8 DEBTORS

	2005 Within one year C\$000	2004 Within one year C\$000
Amounts falling due		
Amounts owed by group undertakings	<u>543,617</u>	<u>521,345</u>
	<u>543,617</u>	<u>521,345</u>

On 31 March 2003, the Company granted an uncommitted revolving credit facility of C\$200,000,000 to Centrica Canada Limited (a company incorporated in Canada). On 27 May 2005 the Company increased this facility to Centrica Canada Limited to C\$250,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005 (continued)

8 DEBTORS (CONTINUED)

Interest is calculated at the Canadian \$ Prime rate applicable on the last day of the preceding quarter. Interest is repayable quarterly in arrears. The total amount drawn down under the facility at 31 December 2005 was C\$237,909,381.

On 31 March 2003, the Company also provided Centrica Canada Limited with a term loan facility of C\$722,297,423. Interest is calculated at the Canadian \$ Prime rate applicable on the last day of the preceding quarter. Interest is repayable quarterly in arrears. The total amount drawn down under the facility at 31 December 2005 was C\$459,618.

On 31 March 2004, the Company granted an uncommitted revolving credit facility of C\$200,000,000 to Centrica Overseas Holdings Limited. Interest is calculated at the Canadian \$ Prime rate applicable on the last day of the preceding quarter. Interest is repayable quarterly in arrears. The total amount drawn down under the facility at 31 December 2005 was C\$146,565,295.

On the same day, 31 March 2004, the Company also provided a term loan facility of C\$722,297,423 to Centrica Overseas Holdings Limited. Interest is calculated at the Canadian \$ Prime rate applicable on the last day of the preceding quarter. Interest is repayable quarterly in arrears. The total amount drawn down under the facility at 31 December 2005 was C\$151,837,805.

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	C\$000	C\$000
Amounts owed to group undertakings	1,187	1,187
Other tax and social security	147	126
	<u>1,334</u>	<u>1,313</u>

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

10 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	2005	2004
	C\$000	C\$000
Other creditors	<u>12,767</u>	<u>12,115</u>
	<u>12,767</u>	<u>12,115</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005 (continued)

11 CALLED UP SHARE CAPITAL

	2005 C\$000	2004 C\$000
Authorised		
3,000,000,000 ordinary shares of C\$1 each (2004: 1,000,000,000)	3,000,000	1,000,000
Called up, allotted and fully paid		
869,967,173 ordinary shares of C\$1 each (2004: 722,297,423 ordinary shares of C\$1 each)	869,967	722,297
Called up, allotted and partly paid		
200,000,000 ordinary shares of C\$1 each (2004: 200,000,000)	164,265	164,265
	<u>1,034,232</u>	<u>886,562</u>

On 25 August 2005, the authorised share capital of the Company was increased from 1,000,000 ordinary shares of C\$1 each to 3,000,000 ordinary shares of C\$1 each.

On 7 September 2005, the Company issued 147,669,750 ordinary shares of C\$1 each at par value to Centrica Gamma Holdings Limited in consideration for an acquisition of 100% of the issued share capital of Centrica KPS Limited (formerly Centrica Generation Limited).

12 RECONCILIATION OF MOVEMENT IN RESERVES

	Profit and loss C\$000
As at 1 January 2005	48,102
Profit for the financial year	21,599
As at 31 December 2005	<u>69,701</u>

13 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER FUNDS

	2005 C\$000	2004 C\$000
Equity shareholder funds / (deficit) as at 1 January	934,664	914,307
Retained profit for the year	21,599	20,357
Issue of ordinary share capital	147,670	-
Equity shareholder funds as at 31 December	<u>1,103,933</u>	<u>934,664</u>

14 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

15 ULTIMATE PARENT COMPANY

Centrica Gamma 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.