

CENTRICA FINANCE (CANADA) LIMITED

**Annual Report and Financial Statements
For the year ended 31 December 2010**

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CENTRICA FINANCE (CANADA) LIMITED

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CENTRICA FINANCE (CANADA) LIMITED

Directors' report for the year ended 31 December 2010

The Directors present their report and the audited financial statements of Centrica Finance (Canada) Limited (the "Company") for the year ended 31 December 2010

Principal activities

The principal activity of the Company is the provision of financing in Canadian dollars to other companies in the Centrica plc group (the "Group")

Review of business and future developments

The financial position of the Company is presented in the balance sheet on page 5 Shareholders' funds at 31 December 2010 were C\$1,227,111,000 (2009 C\$1,211,406,000)

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

Result and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2010 is C\$15,705,000 (2009 C\$15,042,000 profit) The Directors do not recommend the payment of a dividend (2009 C\$nil)

Principal risk and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks The key business risks and uncertainties that the Company is exposed to are interest risks linked to the Centrica plc Group's ("the Group") cost of funds As the interest rate risks relate to transactions with other Group companies they are not actively managed by the Company

The principal risks and uncertainties for the Group, which include those of the Company, are discussed on pages 30-36 of the Group's 2010 Annual Report and Accounts which does not form part of this report Copies of the Annual Report of Centrica plc may be obtained from www.Centrica.com

Key performance indicators ("KPIs")

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the business are net assets and results after tax and these are shown above

Directors

The following served as Directors during the year and up to the date of signing this report

I G Dawson

C Redcliffe

M L Turner (resigned 30 July 2010)

J Bell (appointed 30 July 2010)

Political and charitable donations

The Company made no political or charitable donations during the year (2009 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 The insurance does not provide cover in the event that the Director is proved to have acted fraudulently

CENTRICA FINANCE (CANADA) LIMITED

Directors' report for the year ended 31 December 2010 (continued)

Financial risk management

Details of the Group's financial risk management policy is set out on pages 83-87 of the Group's 2010 Annual Report and Accounts. Group Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, where status is kept under review.

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 23 June 2011



For and on behalf of Centrica Secretaries Limited
Company Secretary

23 June 2011

Company Registered in England and Wales, Registered no 4055254
Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

CENTRICA FINANCE (CANADA) LIMITED

Independent auditors' report to the member of Centrica Canada (Finance) Limited

We have audited the financial statements of Centrica Finance (Canada) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

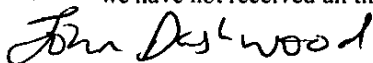
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



John Dashwood (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium,
1 Harefield Road,
Uxbridge
UB8 1EX



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CENTRICA FINANCE (CANADA) LIMITED

Profit and loss account for the year ended 31 December 2010

	Notes	2010 C\$000	2009 C\$000
Interest receivable and similar income	4	29,506	28,950
Interest payable and similar charges	5	(13,011)	(12,441)
Profit on ordinary activities before taxation		16,495	16,509
Taxation on profit on ordinary activities	6	(790)	(1,467)
Profit for the financial year	11	15,705	15,042

All amounts 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 recognised gains or losses other than those included in the results above, and accordingly no separate statement of recognised gains and losses has been presented

A statement of movements in shareholders' funds is shown in note 12

The notes on pages 6 to 10 form part of these financial statements

CENTRICA FINANCE (CANADA) LIMITED**Balance sheet as 31 December 2010**

	Notes	2010 C\$000	2009 C\$000
FIXED ASSETS			
Investments in subsidiaries	7	574,417	574,417
CURRENT ASSETS			
Debtors	8	1,199,439	1,170,550
Cash at bank and in hand		6	6
		<u>1,199,445</u>	<u>1,170,556</u>
CREDITORS (amounts falling due within one year)	9	(546,751)	(533,567)
NET CURRENT ASSETS		<u>652,694</u>	<u>636,989</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,227,111	1,211,406
NET ASSETS		<u>1,227,111</u>	<u>1,211,406</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,034,232	1,034,232
Profit and loss reserve	11	192,879	177,174
TOTAL SHAREHOLDERS' FUNDS	12	<u>1,227,111</u>	<u>1,211,406</u>

The financial statements on pages 4 to 10 were approved and authorised for issue by the Board of Directors on 23 June 2011 and were signed on its behalf by



J Bell
Director

Registered No 4055254

The notes on pages 6 to 10 form part of these financial statements

CENTRICA FINANCE (CANADA) LIMITED

Notes to the financial statements for the year ended 31 December 2010

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 2006

Basis of preparation

The Directors believe that the going concern basis is applicable for the preparation of the accounts as the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. In particular the amounts owed to Group undertakings will not be required to be repaid for the foreseeable future.

Exemptions

The Company is a wholly owned subsidiary undertaking of Centrica Gamma Holdings Limited and is included in the consolidated financial statements of Centrica plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The Company has also taken advantage of the exemptions within Financial Reporting Standard No 1 (Revised) "Cash Flow Statements" from presenting a cash flow statement, and within Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other Group companies.

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 2010 used in the preparation of these financial statements was 1.55045 (2009: 1.6895), and the average rate for the year was 1.6035 (2009: 1.7835).

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars (or alternatives) at rates of exchange ruling at the end of the year.

Transactions in foreign currencies are translated into Canadian dollars at the rate of exchange ruling at the date of transaction. All foreign exchange differences have been taken to the profit and loss account in the year.

Investments in subsidiary undertakings

Investments in subsidiary undertakings 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.

Financial instruments

Share capital Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received.

Interest bearing debt and loans All interest bearing debt and loans are initially stated at the amount of the net proceeds for debt and costs for loans. After initial recognition, the carrying amounts of interest bearing loan receivables and payables are increased by the finance income and finance costs respectively. The carrying amounts are reduced by the payment or repayment of amounts owing under loan receivables and payables respectively.

The Company is exempted by FRS 29 from providing detailed disclosures in respect of its financial instruments because it does not apply FRS 26.

CENTRICA FINANCE (CANADA) LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Interest and notional interest arising on discounted items

Interest is accounted for on an accruals basis. Interest receivable from other Group companies registered overseas is presented inclusive of any overseas withholding tax.

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.

2. DIRECTORS AND EMPLOYEES

There were no employees during the year (2009: nil). The Directors received no emoluments during the year ended 31 December 2010 (2009: C\$nil) in respect of their services to the Company.

3. AUDITORS REMUNERATION

Auditors' remuneration totalling C\$16,491 relates to fees for the audit of the UK GAAP statutory accounts of the Company and includes fees in relation to the audit of the IFRS Group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of the Company. Of the auditors' remuneration C\$16,491 (2009: C\$16,290) is borne by Centrica plc.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 C\$000	2009 C\$000
Interest receivable from Group undertakings	<u>29,506</u>	<u>28,950</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 C\$000	2009 C\$000
Bank charges	-	2
Interest payable to Group undertakings	13,011	12,380
Notional interest arising on discounted items	-	59
	<u>13,011</u>	<u>12,441</u>

CENTRICA FINANCE (CANADA) LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2010 C\$000	2009 C\$000
(a) Analysis of tax charge in the period		
The tax charge comprises		
Current tax:		
United Kingdom corporation tax at 28% (2009 28%)	-	-
Foreign tax	790	1,467
Total current tax	790	1,467
Total tax on profit on ordinary activities	790	1,467

(b) Factors affecting the tax charge for the period

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 are as follows

	2010 C\$000	2009 C\$000
Profit on ordinary activities before tax	16,495	16,509
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	4,619	4,623
Effects of		
Notional interest arising on discounted items	-	16
Group relief for nil consideration	(3,819)	(3,162)
UK UK transfer pricing adjustment	(10)	(10)
Overseas withholding tax	790	1,467
Double taxation relief	(790)	(1,467)
Tax charge for the period	790	1,467

No deferred taxation arises in this period (2009 C\$nil)

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The main rate of corporation tax reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. An initial reduction of 1% to 27% effective from April 2011 was enacted by Finance (No 2) Act 2010 and is therefore taken into account in these financial statements. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014, and the reduction to 25% from 1 April 2012 is expected to be enacted by Finance Act 2011. Beyond the reduction to 27%, the changes had not been substantively enacted at the balance sheet date and, therefore are not included in these financial statements. The impact of these changes on the deferred tax balances is not expected to be material.

7. INVESTMENTS IN SUBSIDIARIES

	C\$000
Cost	
1 January 2010	574,417
31 December 2010	574,417

The Company holds 520,000,000 C\$1 non-voting "B" ordinary shares and all Ordinary Shares in Centrica Delta Limited, a Company incorporated in the Isle of Man, representing 100% of the issued "B" ordinary shares. The Directors believe that the book value of investments is not less than the value of the underlying assets.

CENTRICA FINANCE (CANADA) LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

8. DEBTORS

	2010	2009
Amounts falling due within one year	C\$000	C\$000
Amounts owed by Group undertakings	1,199,439	1,170,526
Other debtors	-	24
	<u>1,199,439</u>	<u>1,170,550</u>

Amounts owed by Group undertakings of C\$1,190,481,000 (2009 C\$1,163,923,000) are unsecured, accrue interest at the Canadian Prime rate on the last day of the preceding quarter with interest payable quarterly in arrears, and are repayable on demand. The remaining balance relates to accrued interest of C\$8,958,000 (2009 C\$6,603,000).

9. CREDITORS

	2010	2009
Amounts falling due within one year	C\$000	C\$000
Amounts owed to Group undertakings	546,578	533,567
Other creditors	173	-
	<u>546,751</u>	<u>533,567</u>

Amounts owed to Group undertakings of C\$520,000,000 (2009 C\$520,000,000) accrue interest at the Canadian Prime rate on the last day of the preceding quarter with interest payable quarterly in arrears. Amounts owed to Group undertakings of C\$26,578,000 (2009 C\$13,567,000) are interest free. Loans to Group undertakings are unsecured and payable on demand.

10. CALLED UP SHARE CAPITAL

	2010	2009
	C\$000	C\$000
Called up, allotted and fully paid:		
869,967,175 ordinary shares of C\$1 each (2009 869,967,175 ordinary shares of C\$1 each)	869,967	869,967
Called up, allotted and partly paid:		
200,000,000 ordinary shares of C\$1 each (2009 200,000,000)	164,265	164,265
	<u>1,034,232</u>	<u>1,034,232</u>

CENTRICA FINANCE (CANADA) LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

11. RECONCILIATION OF MOVEMENT IN RESERVES

	Profit and loss reserve C\$000
As at 1 January 2010	177,174
Profit for the financial year	<u>15,705</u>
As at 31 December 2010	<u>192,879</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 C\$000	2009 C\$000
Retained profit for the year	<u>15,705</u>	<u>15,042</u>
Net additions to shareholders' funds	<u>15,705</u>	<u>15,042</u>
Opening shareholders' funds	<u>1,211,406</u>	<u>1,196,364</u>
Closing shareholders' funds	<u>1,227,111</u>	<u>1,211,406</u>

13. ULTIMATE PARENT UNDERTAKING

Centrica Gamma Holdings Limited, a company registered in England and Wales, is the immediate parent undertaking. Centrica plc, a company registered in England and Wales, is the ultimate parent undertaking and the only company to consolidate the financial statements of the Company. Copies of the Annual Report of Centrica plc may be obtained from www.centrica.com