

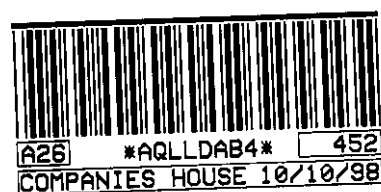
BRITISH GAS ENERGY LIMITED

Annual Report & Accounts

for the year ended

31 December 1997

Registered No: 3159317



BRITISH GAS ENERGY LIMITED

Annual Report and Accounts

for the year ended

31 December 1997

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BRITISH GAS ENERGY LIMITED

Directors' Report for the year ended 31 December 1997

The Directors present their report and financial statements for the year ended 31 December 1997.

Principal Activities

The Company did not trade during the year.

Financial Results and Dividends

The financial results are set out on pages 5 to 7. The Directors do not recommend the payment of a dividend (1996 nil).

Directors

The Directors who served during the year covered by this report were:-

| <u>Name</u> | <u>Date Appointed</u> | <u>Date Resigned</u> |
|----------------|-----------------------|----------------------|
| I G Dawson | 30 January 1997 | |
| T J Furmston | 30 January 1997 | |
| A Garrihy | 09 February 1996 | |
| D W J Patience | 09 February 1996 | 30 January 1997 |

Directors' Interests

At no time did any Director, still holding office on 31 December 1997, have any beneficial interest in the shares of the Company or any other company within the Centrica Group except for the interests in and options over the shares of the ultimate parent company, Centrica plc, as set out below:-

| <u>Name</u> | <u>Beneficial Holdings</u> | | |
|--------------|-------------------------------------|--|---|
| | <u>1 January</u> <u>1997*(i)</u> | <u>17 February</u> <u>1997 (ii)</u> | <u>31 December</u> <u>1997 (iii)</u> |
| I G Dawson | Nil | Nil | 10,000 |
| T J Furmston | Nil | Nil | Nil |
| A Garrihy | 910 | 910 | 910 |

* or date of appointment, if later.

BRITISH GAS ENERGY LIMITED

Directors' Report for the year ended 31 December 1997 (continued)

Directors' Interests (continued)

- (i) Interests in shares as at 1 January 1997 or date of appointment were in shares of British Gas plc. At this time the Company was an indirect wholly owned subsidiary undertaking of British Gas plc.
- (ii) Interests shown as at 17 February 1997 are interests in the ordinary shares of Centrica plc. Ordinary shares of 5 pence each were acquired on 17 February 1997 as a result of the demerger of Centrica plc from British Gas plc on the basis of one Centrica plc share for each British Gas plc share. Prior to the date of demerger, 17 February 1997, the directors did not hold any beneficial interest in the shares of Centrica plc. Figures stated in (ii) do not include interests in BG plc, as the Company was no longer consolidated within the BG group of companies.
- (iii) Beneficial interests shown above include shares acquired under the British Gas Profit Sharing Scheme. Shares were acquired at demerger on the basis of one Centrica plc share for each British Gas plc share.

Sharesave Scheme

| <u>Name</u> | <u>1 January</u> <u>1997*</u> | <u>At 31 December</u> <u>1997 (i)</u> |
|--------------|----------------------------------|--|
| I G Dawson | Nil | 21,012 |
| T J Furmston | Nil | Nil |
| A Garrihy | Nil | 21,012 |

* or date of appointment, if later.

- (i) Options over shares in Centrica plc granted in April 1997 at 46.4 pence per share under the terms of Centrica plc's Savings Related Share Option Scheme.

Long Term Incentive Scheme

| <u>Name</u> | <u>1 January</u> <u>1997*</u> | <u>Granted</u> <u>during year (i)</u> | <u>At 31 December</u> <u>1997</u> |
|--------------|----------------------------------|--|--------------------------------------|
| I G Dawson | Nil | 333,913 | 333,913 |
| T J Furmston | Nil | Nil | Nil |
| A Garrihy | Nil | 89,899 | 89,899 |

* or date of appointment, if later.

- (i) Awards of shares were made on 4 March 1997 and 1 October 1997 at base prices of 67.175 and 73.292 pence respectively.

BRITISH GAS ENERGY LIMITED

Directors' Report for the year ended 31 December 1997 (continued)

Directors' Interests (continued)

The middle market price of a Centrica plc ordinary share on the last trading day of 1997 (31 December) was 90.25 pence. The range during the year was 95.25 pence (high) and 56.25 pence (low).

These share awards held under the Centrica Long Term Incentive Scheme are conditional and subject to performance conditions. They will normally be transferred, subject to the performance conditions and at the discretion of the trustees, in the period March 2002 – October 2003.

All awards were allocated under the terms of the ultimate parent company's Long Term Incentive Scheme, details of which are given in that company's report and accounts for the year ended 31 December 1997.

There were no contracts of significance 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' Insurance

The Company has through its ultimate parent company, Centrica plc, maintained insurance for the Directors in respect of their duties as Directors of the Company.

Share Capital

The Company is a wholly owned subsidiary undertaking of GB Gas Holdings Limited, a company registered in England. Details of issued and authorised share capital are set out in note 5 on page 7.

Auditors

The Company is and has since incorporation been dormant within the meaning of Section 250 of the Companies Act 1985 and, on 17 October 1997, passed a Special Resolution whereby it became exempt from its obligation to appoint auditors as required by Section 384 of that Act.

By Order of the Board



Teresa Jane Furmston
Company Secretary

Registered Office:

Charter Court
50 Windsor Road
Slough
Berkshire
SL1 2HA

Registered in England
No: 3159317

Date: 25 September 1998

BRITISH GAS ENERGY LIMITED

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each year which 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 and loss for the year.

The Directors consider that in preparing the financial statements, 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.

BRITISH GAS ENERGY LIMITED

Profit and Loss Account for the year ended 31 December 1997

The Company has not traded during the year ended 31 December 1997 and has received no income and incurred no expenditure. Consequently, during the current and comparative periods the Company has made neither a profit nor a loss(1996 nil).

The accompanying notes on page 7 form part of these financial statements.

BRITISH GAS ENERGY LIMITED

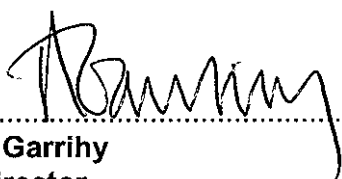
Balance Sheet at 31 December 1997

| | Notes | 31.12.97 | 31.12.96 |
|---|-------|----------|----------|
| | | £ | £ |
| CURRENT ASSETS | | | |
| Debtors (amount falling due within one year) | 4 | 1 | 1 |
| | | — | — |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 5 | 1 | 1 |
| | | — | — |

The Company is exempt under Section 250 of the Companies Act 1985 from the obligation to appoint auditors and entitled to claim the exemption afforded to small companies under Section 246 of the said Act.

The Company was dormant throughout the financial year.

Approved by the Board on the 25th day of September 1998 and signed on its behalf by:-


.....
A Garrihy
Director

Date: 25 September 1998

The accompanying notes on page 7 form part of these financial statements.

BRITISH GAS ENERGY LIMITED

Notes to the Accounts - 31 December 1997

1 Ownership

British Gas Energy Limited is a direct wholly owned subsidiary undertaking of GB Gas Holdings Limited. At the balance sheet date, GB Gas Holdings Limited was a wholly owned subsidiary undertaking of Centrica plc, the ultimate parent company at that date.

On 17 February 1997, British Gas plc's shareholding in GB Gas Holdings Limited was transferred to Centrica plc, which then became the company's ultimate parent company. The company has not traded during the year and any incidental expenses are borne by the ultimate parent company.

2 Principal accounting policy

The accounts have been prepared under the historical cost accounting convention and in accordance with applicable Accounting Standards.

3 Directors' emoluments and employees

No director received emoluments in respect of his services to the Company during the year (1996 nil). The Company had no employees during the year (1996 nil).

| | | | |
|---|--|-----------------|-----------------|
| 4 | Debtors (amounts falling due within one year) | 31.12.97 | 31.12.96 |
| | | £ | £ |
| | Amounts owed by a group undertaking | 1 | 1 |
| | | — | — |
| 5 | Share capital | 31.12.97 | 31.12.96 |
| | | £ | £ |
| | Authorised | | |
| | 100 ordinary shares of £1 each | 100 | 100 |
| | | — | — |
| | Issued, allotted and fully paid | | |
| | 1 ordinary share of £1 | 1 | 1 |
| | | — | — |