

GB GAS HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007



REGISTERED NO: 3186121

GB Gas Holdings Limited

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GB Gas Holdings Limited

Directors' report for the year ended 31 December 2007

The Directors present their report and the audited financial statements of GB Gas Holdings Limited ("the Company") for the year ended 31 December 2007

Business review and principal activities

The principal activity of the Company is to act as an investment holding company. The Company also manages the Centrica plc group ("the Group") property portfolio and recharges the costs incurred to group companies.

Results and dividends

The results of the Company are set out on page 6. The Company's loss after tax for the year was £141,621,000 (2006: £129,991,000 loss).

No dividends were paid to the parent company during the year (2006: £nil).

Future outlook

The Directors intend that the Company will continue to act as an investment holding company for the foreseeable future. Post balance sheet events are detailed in note 18 to the Financial Statements.

Key performance indicators

Given the nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties for the Group, which include those of the Company, are discussed on pages 25 to 27 of the Group's 2007 Annual Report and Accounts which does not form part of this report.

Financial risk management

The Directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Group companies.

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, whose status is kept under review. Details of the Group financial risk management policy is set out on page 69 of the Group's 2007 Annual Report and Accounts.

Liquidity Risk

The Company finances its operations through a combination of retained profits, new share issues and intercompany loans.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2007 – continued

Interest Rate Risk

To the extent that the Company enters into intercompany loan agreements, the Company exposure to interest rate risk arises on those loans on which interest is charged at an agreed rate. The Company does not participate in interest rate hedging.

Credit Risk

Credit risk arises on balances receivable from other parties of the Group. No material exposure is considered to exist in respect of Intercompany balances.

Directors

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

I G Dawson
N L Luff (appointed 17 September 2007)
M L Turner (appointed 17 September 2007)
C P A Weston (appointed 15 October 2008)
P K Bentley (resigned 17 September 2007)
W S H Laidlaw (resigned 17 September 2007)

Creditor payment policy

The Company aims to pay all of its creditors (none of which were trade creditors) promptly within agreed contract terms.

Charitable and political donations

The Company made no charitable or political donations during the year (2006: £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.

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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that he/she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2007 - continued

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual 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). The financial statements are required by law to 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.

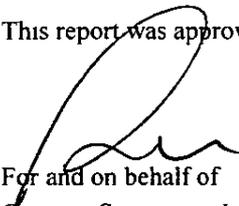
In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

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.

This report was approved by the Board on *30 OCTOBER* 2008


For and on behalf of
Centrica Secretaries Limited
Company Secretary
30 OCTOBER 2008

Registered office
Millstream, Maidenhead Road, Windsor
Berkshire
SL4 5GD

GB Gas Holdings Limited

Independent auditors' report to the member of GB Gas Holdings Limited

We have audited the financial statements of GB Gas Holdings Limited for the year ended 31 December 2007, 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

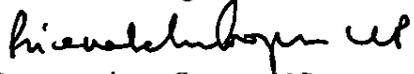
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

31 October 2008

GB Gas Holdings Limited

Profit and Loss account for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Administrative expenses before exceptional items		(48,868)	(65,258)
Exceptional items	4	-	(13,914)
		(48,868)	(79,172)
Other operating income		47,846	55,184
Operating profit/ (loss)	3	(1,022)	(23,988)
Restructuring costs	4	-	(19,900)
Profit/ (loss) on the disposal of fixed asset investments	4	-	(8,405)
Profit on the disposal of fixed assets	4	-	7,279
		-	(21,026)
Income from shares in group undertakings	5	-	51
Interest receivable and similar income	6	20,730	8,527
Interest payable and similar charges	7	(120,563)	(92,001)
Loss on ordinary activities before taxation		(100,855)	(128,437)
Tax on loss on ordinary activities	8	(40,766)	(1,554)
Loss for the financial year	15 & 16	(141,621)	(129,991)

All activities relate to continuing operations

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historic cost equivalents

There have been no recognised gains and losses during the year other than those shown in the Profit and Loss account therefore no Statement of Total Recognised Gains and Losses has been presented

A statement of movements in equity shareholder funds is shown in note 16

The notes on pages 8 to 19 form part of these financial statements

GB Gas Holdings Limited

Balance Sheet as at 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible fixed assets	9	30,951	28,533
Investments	10	5,431,012	5,276,773
		<u>5,461,963</u>	<u>5,305,306</u>
Current assets			
Debtors (amounts receivable within one year)	11	515,631	208,094
Cash at bank and in hand		243	404
		<u>515,874</u>	<u>208,498</u>
Creditors (amounts falling due within one year)	12	<u>(3,685,753)</u>	<u>(3,071,335)</u>
Net current liabilities		<u>(3,169,879)</u>	<u>(2,862,837)</u>
Total assets less current liabilities		2,292,084	2,442,469
Provisions for liabilities and charges	13	<u>(55,110)</u>	<u>(63,874)</u>
Net assets		<u>2,236,974</u>	<u>2,378,595</u>
Capital and reserves			
Called up share capital	14	1,473	1,473
Share premium account	15	1,567,891	1,567,891
Profit and loss account	15	667,610	809,231
		<u>2,236,974</u>	<u>2,378,595</u>
Total equity shareholder funds	16	<u>2,236,974</u>	<u>2,378,595</u>

The financial statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 30 October 2008 and were signed on its behalf by

M. L. Turner

M L Turner
Director

The notes on pages 8 to 19 form part of these financial statements

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

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

Basis of preparation

The financial statements have been prepared on a going concern basis, because the Directors of the ultimate parent company, Centrica plc, have indicated their intention to provide sufficient capital to enable the Company to meet its liabilities as they fall due for at least the next twelve months from the date of signing

Exemptions

The Company is a wholly owned subsidiary undertaking of Centrica plc and is included in the consolidated financial statements of the Centrica Group which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 228 of the Companies Act 1985. 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 Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other group companies.

Investments

Investments held as fixed assets are stated at cost less accumulated provisions for amortisation and any impairment. The Directors perform impairment reviews when there has been an indication of impairment.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at historic purchase cost less accumulated depreciation and less any provisions for impairment. Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

Freehold and leasehold buildings	Up to 50 years
Plant and machinery	5 to 20 years

Asset impairments

Tangible fixed assets and fixed asset investments are reviewed for impairments if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value, if higher. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount.

Other operating income

Property costs are incurred, and therefore recharged, on an accruals basis. The recharge of property costs to group companies is allocated based on direct occupation of the buildings.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007 - continued

1 Principal accounting policies – continued

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to the present value where the effect is material. Where discounting is used, the increase in provision due to the passage of time is recognised in the Profit and Loss account within interest payable and similar charges.

Property costs

Provision is made for vacant properties, calculated as the lower of the difference between rental costs and sub-let income over the remainder of the leases, and the potential costs to surrender those leases.

Leases

Rentals under operating leases are charged to the Profit and Loss account on a straight line basis over the term of the lease.

Taxation

Current tax, including UK corporation tax and foreign 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 an 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 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary or associate.

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 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.

GB Gas Holdings Limited

Notes to the financial statement for the year ended 31 December 2007 - continued

1 Principal accounting policies – continued

Currency translation

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the date of the transaction

Monetary assets and liabilities expressed in foreign currencies are translated at the rates of the exchange ruling at the end of the financial year. Exchange differences are dealt with in the profit and loss account

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

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.

Cash at bank and in hand, Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Interest-bearing debts 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 amount of interest-bearing debt and loans should be increased by the finance cost and by the finance income in respect of the reporting period and reduced by the payments and the repayments made in respect of the debt and loans in that period. The Company is exempted by FRS 25 from providing detailed disclosures in respect of its financial instruments because the Company is included within the Group's consolidated accounts and its financial instruments are incorporated into the disclosures in note 28 to the Centrica plc group Annual Report and Accounts.

Interest

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

2 Directors and employees

a) Directors

The Directors received no emoluments during the year ended 31 December 2007 (2006 £nil) in respect of their services to the Company.

b) Employees

There were no employees of the Company during the year ended 31 December 2007 (2006 nil).

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007 – continued

3 Operating loss

Administrative expenses included depreciation of £3,621,000 (2006 £3,686,000) and operating lease rentals on properties of £23,399,000 (2006 £26,276,000)

The audit fee of £5,000 (2006 £9,000) was borne by Centrica plc in this period and the last Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of GB Gas Holdings Limited In line with Tech 6/06, 'Disclosure of auditor remuneration', issued by the ICAEW, it excludes fees in relation to the audit of the IFRS group consolidation schedules for the purposes of the Centrica Group audit, which are borne by Centrica plc

Other operating income substantially represented fees charged to group companies to recover the costs of the group property portfolio These charges are allocated based on the occupation of the properties for which these costs are incurred

4 Exceptional items

	2007 £000	2006 £000
Recognised before operating loss		
Impairment of fixed asset investment ⁽ⁱ⁾	-	(13,914)
	<u>-</u>	<u>(13,914)</u>
Recognised after operating loss		
Business restructuring costs ⁽ⁱⁱ⁾	-	(19,900)
Loss on disposal of fixed asset investments ^{(iii) (iv) (v) (vi) (vii)}	-	(8,405)
Profit on disposal of fixed asset ^(viii)	-	7,279
	<u>-</u>	<u>(21,026)</u>

(i) In 2006 the Company recognised an impairment of its investment in Centrica Insurance Company Limited This resulted from a review of the underlying assets of the company conducted following the Rough Storage fire insurance claim

(ii) Business restructuring costs relate to provisions for costs resulting from changes to the group property portfolio In 2006 this relates specifically to exit costs in relation to the closure of the head office of British Gas Residential Energy a business segment of Centrica Plc

(iii) During the year the Company received an amount of £149,000 from HMRC in relation to the finalisation of the tax position regarding the disposal of The AA Corporation Limited In 2006 the Company recognised a loss of £423,000 in relation to finalisation of the tax position of The AA Corporation Limited

(iv) In 2006 the Company exited the contract made for British Gas Trading to sell a fixed number of One tel contracts to its customers over the three years from sale The provision which had been made to cover the costs of these sales was released to the Profit and Loss account along with the charge incurred from breaking this contract resulting in a net charge to the Profit and Loss account of £10,024,000

(v) In 2006 the Company recognised a profit of £3,587,000 from the sale of its holdings in Paypoint Limited

(vi) In 2006 the Company recognised a further loss of £1,998,000 in relation to disposal costs associated with One tel

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007 – continued

4 Exceptional items - continued

(vii) In 2006 the Company released a provision relating to sale costs of British Gas Connections Limited resulting in a further profit of £453,000

(viii) In 2006 the Company disposed of a property in Leeds for consideration of £8,750,000 giving rise to a profit on disposal of fixed assets which is outside its normal operating activity

5 Income from shares in group undertakings

	2007 £000	2006 £000
Dividends received from participating interest	-	51
	<u>-</u>	<u>51</u>

6 Interest receivable and similar income

	2007 £000	2006 £000
Interest receivable from subsidiary undertakings	20,036	6,347
Interest receivable from joint ventures	141	-
Preference share dividends receivable from group undertakings	553	2,180
	<u>20,730</u>	<u>8,527</u>

7 Interest payable and similar charges

	2007 £000	2006 £000
Interest payable to group undertakings	(120,524)	(91,634)
Notional interest on unwinding of deferred and contingent consideration creditors	(39)	(367)
	<u>(120,563)</u>	<u>(92,001)</u>

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007 - continued

8 Taxation on profit/(loss) on ordinary activities

(a) Analysis of tax charge in the period	2007	2006
	£000	£000
The tax credit comprises		
Current tax		
UK corporation tax at 30% (2006 30%) based on the loss for the year	-	-
Adjustments in respect of prior years	40,986	-
Total current tax	<u>40,986</u>	<u>-</u>
Deferred tax:		
Effect of change to tax rate	(241)	-
Origination and reversal of timing differences	13	(1,554)
Adjustments in respect of prior years	8	-
Total deferred tax	<u>(220)</u>	<u>(1,554)</u>
Total tax on profit/(loss) on ordinary activities	<u>40,766</u>	<u>(1,554)</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 are as follows

	2007	2006
	£000	£000
Loss on ordinary activities before tax	<u>(100,855)</u>	<u>(128,437)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	(30,257)	(38,531)
Effects of		
Expenses not deductible for tax purposes	1,385	5,275
Income not taxable	(519)	(3,183)
UK- UK transfer pricing	(21,522)	(14,814)
Other timing differences	(265)	6,621
Capital allowances in excess of depreciation	(175)	363
Group relief for nil consideration and UK UK inter-company transfer pricing	51,353	44,269
Adjustments to tax in respect of previous periods	<u>40,986</u>	<u>-</u>
Current tax charge for the year	<u>40,986</u>	<u>-</u>

From 1 April 2008 the standard rate of UK corporation tax reduces to 28%

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007 - continued

9 Tangible fixed assets

	Freehold £000	Long Leasehold £000	Short Leasehold £000	Plant & Machinery £000	Total £000
Cost					
1 January 2007	26,115	1,766	10,626	13,405	51,912
Additions	-	-	-	6,580	6,580
Disposals	-	-	-	(864)	(864)
31 December 2007	26,115	1,766	10,626	19,121	57,628
Accumulated depreciation					
1 January 2007	(12,270)	(984)	(3,382)	(6,743)	(23,379)
Charge for the year	(488)	(28)	(621)	(2,484)	(3,621)
Disposals	-	-	-	323	323
Impairments ⁽ⁱⁱ⁾	-	-	-	-	-
31 December 2007	(12,758)	(1,012)	(4,003)	(8,904)	(26,677)
Net book value					
31 December 2007	13,357	754	6,623	10,217	30,951
31 December 2006	13,845	782	7,244	6,662	28,533

10 Fixed asset investments

	Group undertakings £000	Participating interests £000	Total £000
1 January 2007	5,651,122	600	5,651,722
Additions ⁽ⁱ⁾	157,137	500	157,637
Disposals ⁽ⁱⁱ⁾	(500)	-	(500)
31 December 2007	5,807,759	1,100	5,808,859
Provisions for impairment			
1 January 2007	(374,949)	-	(374,949)
Charge in year ⁽ⁱⁱⁱ⁾	(2,298)	(600)	(2,898)
31 December 2007	(377,247)	(600)	(377,847)
Net book value			
31 December 2007	5,430,512	500	5,431,012
31 December 2006	5,276,173	600	5,276,773

(i) The investment in the year was in Newfield UK Holdings Limited, which was subsequently renamed as Centrica Resources UK Holdings Limited

(ii) The disposal was of Centrica Leasing (PB) Limited (formerly known as Centrica Leasing Limited)

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007 - continued

10 Fixed asset investments (continued)

(iii) The impairment charge in the year relates to the impairment of the investment in British Gas Housing Services Limited after a review of the underlying assets of the Company

As at 31 December 2007 the Company had interests in the following principal undertakings. This information is given pursuant to Section 231(5) Companies Act 1985. The information is only given for those subsidiaries which, in the Directors' opinion, principally affect the figures shown in the Financial Statements

The Directors believe that the book value of investments is not less than the value of the underlying assets

Principal subsidiary undertakings	Business	Country of incorporation	Direct investment in ordinary shares %	Indirect interest in ordinary shares (%)
Accord Energy Limited	Wholesale energy trading	England	100	
Accord Energy (Trading) Limited	Wholesale energy trading	England		100
British Gas Housing Services Limited	Servicing & installation of gas heating systems	England	100	
British Gas Services Limited	Servicing & installation of gas heating systems	England	100	
British Gas Trading Limited	Energy Supply	England	100	
Centrica Barry Limited	Power Generation	England	100	
Centrica Brigg Limited	Power Generation	England	100	
Centrica Canada Limited	Holding company and gas production	Canada		100
Centrica Energia SL	Energy Supply	Spain		100
Centrica Energie GmbH	Wholesale energy trading	Germany		100
Centrica Energy Operations Ltd	Power Generation	England		100
Centrica (Horne & Wren) Limited	Power Generation	England	100	
Centrica Insurance Company Ltd	Insurance services	Isle Of Man	100	
Centrica Jersey Limited	Holding Company	Jersey		100
Centrica KL Ltd	Power Generation	England	100	
Centrica KPS Limited	Power Generation	England		100
Centrica Langage Limited	Power Generation	England	100	
Centrica Overseas Holdings Ltd	Holding Company	England	100	
Centrica PB Ltd	Power Generation	England	100	
Centrica Renewable Energy Ltd	Renewable Energy Holding Company	England	100	
Centrica Resources Limited	Gas and Oil Production	England	100	
Centrica Resources (Armada) Limited	Gas and Oil Production	England	100	
Centrica Resources (Norge) AS	Upstream exploration	Norway		100
Centrica Resources UK Holdings Ltd	Holding Company	England	100	
Centrica RPS Limited	Power Generation	England	100	
Centrica SHB Limited	Power Generation	England	100	
Centrica Storage Holdings Ltd	Gas Storage	England	100	
Centrica Storage Limited	Gas Storage	England		100
Coastal Energy Limited	Clean Coal Generation	England	85	
DER Development No 10 Ltd	Gas Production	Canada		100
Direct Energy Marketing Ltd	Energy Supply and Home Services	Canada		100
Direct Energy Partnership	Energy Supply	Canada		100
Direct Energy Resources Partnership	Gas Production	Canada		100
Dyno Holdings Limited	Home Services	England	100	
GF Two Limited	Holding Company	England	100	
Glens of Foudland Windfarm Limited	Power Generation	England		100
Hydrocarbon Resources Ltd	Gas Production	England		100
Oxxio NV	Energy Supply	Netherlands		100
The Centrica Gas Production LP	Gas Production	England		100

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2007 – continued

10. Fixed asset investments (continued)

Principal joint ventures	Business	Country of incorporation	Direct investment in ordinary shares %	Indirect interest in ordinary shares (%)
Barrow Offshore Wind Limited	Wind farm construction	England		50
Braes of Doune Wind Farm (Scotland) Limited	Power Generation	Scotland		50
Coots Limited	CO ₂ Transportation	England	55	
Home Assistance UK Limited	Insurance	England	70	
Segebel SA	Holding company	Belgium		50

11. Debtors

	Within one year 2007 £000	Within one year 2006 £000
Amounts owed by group undertakings	505,303	198,396
Taxation	1,044	110
Other debtors	172	63
Prepayments and accrued income	9,112	9,525
	515,631	208,094

Amounts owed by group undertakings includes a loan of £195,000,000 where the company has entered into a sub-participation arrangement with a group undertaking for 99% of the amounts owed by the group undertaking. This loan has therefore been made on a non-recourse basis to the group undertaking and will be repaid via the sub-participation arrangement.

12. Other creditors (amounts falling due within one year)

	2007 £000	2006 £000
Amounts owed to group undertakings ⁽ⁱ⁾	3,649,441	3,030,751
Other creditors	19,744	20,990
Accruals and deferred income	11,357	13,749
Deferred and contingent consideration ⁽ⁱⁱ⁾	5,211	5,845
	3,685,753	3,071,335

(i) Amounts owed to group undertakings represent various unsecured loans which are repayable upon demand. Balances which attract interest comprise £740,000,000 payable to Centrica Overseas Holdings Limited and £433,000,000 payable to Centrica Beta Holdings Limited both attracting interest at the 3 month LIBOR payable quarterly in arrears and £545,000,000 payable to Centrica Epsilon Limited which attracts interest at the 3 month LIBOR plus 50 basis points also payable in arrears.

(ii) Deferred and contingent consideration comprises amounts payable in respect of Centrica Langage Limited (formerly Wainstones Power Limited) £5,210,748 (2006 £5,844,919).

GB Gas Holdings Limited

Notes to the accounts for the year ended 31 December 2007 - continued

13. Provisions for liabilities and charges

	1 January 2007 £000	Profit & Loss charge £000	Utilised in The year £000	31 December 2007 £000
Deferred Corporation Tax ⁽ⁱ⁾	3,586	(220)	-	3,366
Property costs ⁽ⁱⁱ⁾	49,865	5,603	(8,152)	47,316
One tel disposal costs ⁽ⁱⁱⁱ⁾	10,067	(5,167)	(472)	4,428
Other provisions ^(iv)	356	(356)	-	-
Total	63,874	(140)	(8,624)	55,110

(i) Deferred tax liabilities/(assets) comprised	Amounts provided		Potential amounts unrecognised	
	2007 £000	2006 £000	2007 £000	2006 £000
Accelerated capital allowances	3,366	3,586	-	-
Other timing differences	-	-	(5,786)	(14,912)
	3,366	3,586	(5,786)	(14,912)

(i) The proposed reduction in the rate of UK Corporation tax from 30% to 28% as per the 2007 Budget was substantially enacted on 26 June 2007. As a result deferred tax reversing after 1 April 2008 is calculated at the rate of 28%.

(ii) The provision relates to surplus properties, and was calculated as the lower of the difference between rental costs and sub-let income over the remainder of the leases and the expected cost to surrender those leases.

(iii) The One tel disposal costs comprise the following, £4,214,000 (2006 £9,800,000) in respect of costs resulting from vacated properties under lease and £214,000 (2006 £267,000) in respect of legal and professional fees.

(iv) Other provisions related to litigation costs. This provision is no longer required and has therefore been released during the year. Any further detailed disclosure would be seriously prejudicial to the Company.

GB Gas Holdings Limited

Notes to the accounts for the year ended 31 December 2007 - continued

14 Called up share capital

	2007 £	2006 £
Authorised:		
5,000,000 ordinary shares of £1 each (2006 5,000,000)	<u>5,000,000</u>	5,000,000
Issued, allotted and fully paid		
1,473,121 ordinary shares of £1 each (2006 1,473,121)	<u>1,473,121</u>	1,473,121

15 Reserves

	Share Premium Account £000	Profit & Loss Account ⁽ⁱ⁾ £000	Total £000
At 1 January 2007	1,567,891	809,231	2,377,122
Retained loss for the financial year	-	(141,621)	(141,621)
At 31 December 2007	<u>1,567,891</u>	<u>667,610</u>	<u>2,235,501</u>

(i) In March 2003 the Institute of Chartered Accountants in England and Wales issued Tech 7/03 'Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 1985'. As a result of the guidance, the Directors have determined that reserves of £709,923,000 are not currently available for distribution.

16 Movements in equity shareholders funds

	2007 £000	2006 £000
Retained loss for the financial year	<u>(141,621)</u>	(129,991)
Net deductions from shareholder funds	<u>(141,621)</u>	(129,991)
Opening shareholder funds	2,378,595	2,508,586
Closing shareholder funds as at 31 December	<u>2,236,974</u>	<u>2,378,595</u>

GB Gas Holdings Limited

Notes to the accounts for the year ended 31 December 2007 – continued

17 Guarantees, commitments and contingencies

a) Operating lease commitments

As at 31 December 2007 the operating lease commitments of the Company for the following year were

Expiring	2007 £000	2006 £000
Within one year	1,064	682
Between one and five years	2,421	5,483
After five years	20,571	20,009
	24,056	26,174

All operating lease commitments were in respect of property for both the current and prior year

b) Guarantees

At 31 December 2007 the Company had provided guarantees up to a maximum of £309,481,524 (2006 £216,673,101) to various counter-parties in relation to the wholesale energy procurement activities of its subsidiaries

18 Post Balance Sheet Events

On 6 February 2008 the Company acquired a 99.99% interest in Ceres Power Holdings Limited for £20,015,515, and on 25 September 2008 acquired the entire issued share capital of Solar Technologies Group Limited for £2,500,000. On 22 October the company acquired the entire issued share capital of Semplice Energy Limited

19 Ultimate parent undertaking

The immediate parent undertaking is Centrica Holdings Limited. Centrica plc is the ultimate parent undertaking and the only group to consolidate the accounts of the Company. Copies of the Annual Report and Accounts of Centrica plc may be obtained from www.centrica.com