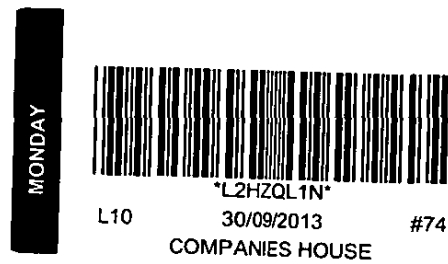


Registered No: 03186121



GB Gas Holdings Limited

**Annual Report and Financial Statements
For the year ended 31 December 2012**

GB Gas Holdings Limited

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GB Gas Holdings Limited

Directors' report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of GB Gas Holdings Limited ("the Company") for the year ended 31 December 2012

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, provides funding for certain power station assets and recharges the costs incurred to group companies. Activities on properties reflect the Centrica Group Corporate responsibility vision and we aim to reduce the environmental impact of our property portfolio.

Review of business and future developments

The financial position of the Company is presented in the balance sheet on page 8. Shareholders' funds at 31 December 2012 were £2,239,577,000 (2011 £2,293,077,000).

The Directors intend that the Company continues to act as an investment holding and property management company for the foreseeable future.

On 31 December 2012, as part of an internal reorganisation by the ultimate parent company, £2,059,461,000 of investments in fellow subsidiary undertakings were acquired by the company, funded by additional loans from Centrica plc. Details are given in note 9 of the financial statements and significant transactions are detailed below.

The company purchased the investment in Centrica Production Limited from Centrica Resources UK Limited at book value of £1,252,736,000 in exchange for an intercompany payable.

The trade and assets of Centrica Resources UK Holdings Limited were transferred to the Company, in exchange for an intercompany payable of £205,160,913. The trade of Centrica Resources UK Holdings Limited will be taken on in the Company from this date.

The company also purchased 100% of the issued share capital in the following entities from Centrica Production Limited at a combined book value of £466,575,000:

- Centrica North Sea Gas Limited
- Centrica North Sea Oil Limited
- Centrica Infrastructure Limited
- Centrica Production (Services) Limited
- Centrica Upstream Investments Limited
- Centrica Production Trustees Limited
- Centrica Production (GMA) Limited
- CH4 Old Limited
- CH4 Energy Limited
- Centrica Production (DMF) Limited

The Company made a capital contribution of £30,000,000 to British Gas Commercial Services Limited, (a subsidiary of British Gas Services Limited). The contribution has increased the carrying value of the Company's investment in British Gas Commercial Services.

The Company purchased 100% of the share capital in British Gas New Heating for £2. The Company also made a capital contribution of £80,000,000. £41,033,000 of the capital contribution was in the form of the waiver of an existing loan balance, the remainder being in the form of a cash contribution. The contribution has increased the carrying value of the Company's investment in British Gas New Heating Limited.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2012 (continued)

Review of business and future developments (continued)

On the 18 December 2012 the Company entered into a series of transactions to implement an asset backed contribution structure with the Group's three main pension schemes. As part of the structure the Company borrowed £230,150,000 interest free from Centrica plc, and used the funds to subscribe for 230,150,000 £1 shares at par in Centrica Finance (Scotland) Limited. The Company also refinanced four loans totalling £656,460,000 at a 7% coupon rate from Centrica plc for periods of 4 to 15 years. On the 31 December 2012, one of these loans for £230,150,000 was novated from Centrica plc to Centrica Finance Limited Partnership. On the 27 March 2013, the three remaining loans were novated from Centrica plc to CFCPP LLP (£95,880,000), CFCEPS LLP (£14,820,000), CFCPS LLP (£315,610,000). On the 27 March 2013 the Company also borrowed £439,270,000 interest free from Centrica plc, and used the funds to subscribe for 439,270,000 £1 shares at par in Centrica Finance (Scotland) Limited.

During the year net impairments were made of £297,382,000. The carrying values of British Gas Housing Services Limited, JKE Services (UK) Limited, NNB Holding Company Limited, Centrica Resources (UK) Limited and Centrica Brigg Limited were impaired. Impairments made in Centrica KPS Limited and Centrica Insurance Company Limited in earlier years were reversed.

On 4 February 2013 the Group announced its decision not to proceed with the nuclear new build investment. Accordingly the Company has recorded an impairment of £200,408,000 at the year end against NNB Holding Company Limited. On 18 March 2013 the investment in NNB Holding Company limited was disposed of.

On 19 April 2013 the Company purchased approximately 15% of 4 Energy Limited for a consideration of £4,000,000.

On 15 May 2013 the company made a further investment in Alertme com Limited of £1,500,000 bringing the total interest in Alertme com Limited to 18.5%.

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's financial risk management policy are set out on pages 111-114 of the Group's 2012 Annual Report and Accounts. Copies of the Annual Report of Centrica plc may be obtained from www.Centrica.com.

To the extent that the Company enters into inter-company loan agreements, the Company's exposure to interest rate risk arises on those loans on which interest is charged at an agreed variable rate. The Company does not participate in interest rate hedging. Credit risk arises on balances receivable from other Group companies. Inter-company balances are reviewed and their recoverability assessed.

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.

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 44-50 of the Group's 2012 Annual Report and Accounts which does not form part of this report.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2012 (continued)

Results and dividends

The results of the Company are set out on page 7. The Company's profit for the financial year was £46,500,000 (2011 £1,564,348,000) including impairments against investments of £297,382,000 (2011 £170,806). Dividends received in the year amounted to £359,933,000 (2011 £1,720,000,000). An interim dividend of £100,000,000 was paid during the year (2011 £1,425,000,000). The Directors do not recommend the payment of a final dividend, (2011 £nil).

Directors

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

I G Dawson
N L Luff
J Bell

Creditor payment policy

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

Charitable and political donations

The Company made no charitable or political donations during the year (2011 £nil).

Land and buildings

In the opinion of the Directors the difference between the market value and balance sheet value of land is not significant.

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.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Centrica plc. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after these financial statements are signed.

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 prepared 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 these 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,
- prepare and view 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.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2012 (continued)

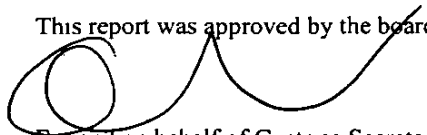
Disclosure of information to auditors

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 in order 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 27 September 2013



For and on behalf of Centrica Secretaries Limited

Company Secretary

27 September 2013

Company registered in England and Wales, Registered Number 03186121

Registered office

Millstream

Maidenhead Road

Windsor

Berkshire

SL4 5GD

GB Gas Holdings Limited

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

We have audited the financial statements of GB Gas Holdings Limited for the year ended 31 December 2012 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 pages 3 and 4 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 members as a body 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 2012 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.

Charles Bowman (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

GB Gas Holdings Limited

Profit and loss account for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Administrative expenses		(61,805)	(41,883)
Exceptional items			
Net impairment of investments		<u>(297,382)</u>	<u>(170,806)</u>
Total administrative expenses		(359,187)	(212,689)
Other operating income		50,159	59,286
Operating loss	3	<u>(309,028)</u>	<u>(153,403)</u>
Income from shares in Group undertakings	4	359,933	1,720,000
Interest receivable and similar income	5	8,406	9,190
Interest payable and similar charges	6	(12,558)	(11,943)
Profit on ordinary activities before taxation		<u>46,753</u>	<u>1,563,844</u>
Tax on profit on ordinary activities	7	(253)	504
Profit for the financial year	16 & 17	<u><u>46,500</u></u>	<u><u>1,564,348</u></u>

All activities relate to continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit for the years stated above and their 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 17

The notes on pages 9 to 21 form part of these financial statements

GB Gas Holdings Limited

Balance sheet as at 31 December 2012

		2012	2011
	Notes	£000	£000
Fixed assets			
Tangible fixed assets	8	26,048	21,618
Investments	9	<u>9,641,756</u>	<u>7,875,963</u>
		<u>9,667,804</u>	<u>7,897,581</u>
Current assets			
Debtors amounts falling due within one year	10	374,438	379,580
Debtors amounts falling due after more than one year	11	50,861	-
Cash at bank and in hand		<u>4,772</u>	<u>70</u>
		<u>430,071</u>	<u>379,650</u>
Creditors (amounts falling due within one year)	12	<u>(7,175,265)</u>	<u>(5,959,819)</u>
Net current liabilities		<u>(6,745,194)</u>	<u>(5,580,169)</u>
Total assets less current liabilities		2,922,610	2,317,412
Creditors (amounts falling due after more than one year)	13	(656,460)	-
Provisions for liabilities	14	(26,573)	(24,335)
Net assets		<u>2,239,577</u>	<u>2,293,077</u>
Capital and reserves			
Called up share capital	15	1,473	1,473
Share premium account	16	500,000	500,000
Profit and loss account	16	<u>1,738,104</u>	<u>1,791,604</u>
Total shareholders' funds	17	<u>2,239,577</u>	<u>2,293,077</u>

The financial statements on pages 7 to 21 were approved and authorised for issue by the Board of Directors on 27 September 2013 and were signed on its behalf by



J Bell
Director

Registered Number 03186121

The notes on pages 9 to 21 form part of these financial statements

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

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 financial statements 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

Exemptions

The Company is a wholly owned subsidiary undertaking of Centrica 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

Investments

Fixed asset investments are included in the balance sheet at cost, less accumulated provisions for any impairment. Investments consist of equity interests in subsidiaries, joint ventures and trade investments

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. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 buildings and leasehold land and buildings	Up to 50 years
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Fixture and fittings	3 to 10 years
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Goodwill

In the absence of specific guidance under UK GAAP, the Company has adopted an accounting policy which records acquisitions of a business from another group company using the principals of merger accounting prospectively from the date of the transaction. Where the business is transferred from a subsidiary company, the investment in the subsidiary has been reclassified to goodwill since the company has suffered no loss of value as a result of the business transfer. Where the transfer results in negative goodwill, this is capitalised in the period it arises and recognised in the Profit and Loss Account over the period expected to benefit from the non-monetary assets acquired. Where only monetary assets are transferred, the excess is recognised in the Profit and Loss account in the period it arises as this is the period expected to benefit from the transaction. Goodwill is amortised over up to 20 years

Finance and Operating Leases

Equipment leased under finance leases is de-recognised. Debtors under finance leases represent outstanding amounts due under these arrangements less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment. Equipment leased under operating leases is capitalised and depreciated over their remaining useful economic life. Operating lease income, which is included in other operating income, is accounted for on a straight-line basis with any rental increases recognised during the period to which they relate

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1. Principal accounting policies (Continued)

Asset impairments

Tangible fixed assets, fixed asset investments and goodwill are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Newly acquired goodwill or intangible fixed assets are subject to a first year impairment review. This review should be carried out at the end of the first full financial year following their acquisition. When a review for impairment is conducted, the recoverable amount is assessed by reference to the value of the relevant income generating unit, or disposal value or, the value of the underlying net assets.

The value in use calculations use cash flow projections based on the Group's internal Board-approved three year business plans. Cash flows are discounted using a pre-tax discount rate specific to each cash-generating unit to determine the cash-generating unit's value in use, and ranged from 7.5% to 8.5% (2011: 7.5 to 8.5%).

If an asset is impaired, a provision is made in that financial year to reduce the carrying amount to its estimated recoverable amount.

Other operating income

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

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. 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 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 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 statements for the year ended 31 December 2012 (continued)

1. Principal accounting policies (continued)

Financial assets and liabilities

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

Interest and income from associates and group undertakings

Interest and income from associates and group undertakings are accounted for on an accruals basis Interest receivable from other Group companies registered overseas is presented inclusive of any overseas withholding tax Dividends receivable are recognised when the dividend is received, for interim dividends, and when approved by shareholders for final dividends

2. Directors and employees

a) Directors

N L Luff is a director of Centrica plc, the ultimate parent company His emoluments and pension contributions in respect of their services to GB Gas Holdings Limited are £nil (2011 £nil) Details of his overall remuneration are included in the 2012 Centrica plc Annual Report and Accounts on pages 61 to 75

The aggregate emoluments paid to other directors in respect of their qualifying services were £339,813 (2011 £281,458) The aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services was £28,881 (2011 £28,918) All costs were borne by other Group companies

There was 1 director (2011 1) to whom retirement benefits are accruing under a defined benefit pension schemes and 2 directors (2011 2) to whom retirement benefits are accruing under money purchase pension schemes

There were 3 directors (2011 3) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme and nil directors (2011 1) exercised share options relating to the ultimate parent company

The highest paid director received emoluments of £188,876 (2011 £193,987) and the company contributed £4,833 (2011 £4,727) to their pension scheme

In the current year only the highest paid director received shares in respect of qualifying services under a long-term incentive scheme but did not exercise share options relating to the ultimate parent company

b) Employees

There were no employees of the Company during the year ended 31 December 2012 (2011 nil)

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3. Operating profit

	2012 £000	2011 £000
The following items are included within administration expenses:		
Depreciation	3,243	3,410
Operating lease rentals on properties	29,613	28,885
Included with exceptional impairment:		
Impairment against cost of investments (notes 9 and 19)	365,311	170,806
Impairment reversal (note 9)	(67,929)	-
	297,382	170,806
Amounts paid by parent company		
Auditors' remuneration, all of which is borne by Centrica plc	9	15

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory financial statements of the Company. Other operating income substantially represents 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.

Following a change in circumstances investments have been impaired in British Gas Housing Services Limited (£5,035,000), JKE Services (UK) Limited (£887,000), NNB Holding Company Limited (£200,408,000), Centrica Resources (UK) Limited (£157,138,000) and Centrica Brigg Limited (£1,843,000).

Of the impairment made in 2011 against Centrica KPS Limited of £147,670,000 an amount of £54,015,000 was written back on revision of the cost of investment. The impairment against Centrica Insurance Company Limited from 2006 of £13,914,000 has also been reversed as the current trading position supports the reversal of the previous impairment. Also in 2011 an impairment of £27,160,000 was made against the investment in Ceres Power Holdings Limited.

4. Income from shares in Group undertakings

	2012 £000	2011 £000
Dividends receivable from Lake Acquisitions Limited	102,000	120,000
Dividend receivable from British Gas Trading Limited	-	800,000
Dividend receivable from Centrica Storage Holdings Limited	-	800,000
Dividend receivable from Centrica Production Limited	43,408	-
Dividend receivable from Centrica Resources UK Holdings Limited	205,161	-
Dividend receivable from Dyno Holdings Limited	9,364	-
	359,933	1,720,000

5. Interest receivable and similar income

	2012 £000	2011 £000
Interest receivable from Group undertakings	8,406	9,190

6. Interest payable and similar charges

	2012 £000	2011 £000
Interest payable to Group undertakings	12,346	11,402
Notional interest on unwinding of onerous lease provisions	212	541
	12,558	11,943

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

7. Tax on profit on ordinary activities

(a) Analysis of tax charge / (credit) in the year	2012	2011
	£000	£000
The tax charge comprises		
Current tax:		
United Kingdom corporation tax at 24.5% (2011: 26.5%) based on the profit for the year	-	-
Adjustments in respect of prior years	268	-
Total current tax	268	-
Deferred tax:		
Effect of change to tax rate	(24)	(23)
Origination and reversal of timing differences	(72)	(73)
Adjustments in respect of prior years	81	(408)
Total deferred tax	(15)	(504)
Total tax on profit on ordinary activities	253	(504)

(b) Factors affecting the tax credit for the year

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

	2012	2011
	£000	£000
Profit on ordinary activities before tax	46,753	1,563,844
Tax on Profit on ordinary activities at standard UK corporation tax rate of 24.5% (2011: 26.5%)	11,454	414,419
Effects of		
Expenses not deductible for tax purposes	181	139
Profit on sale of non qualifying asset	-	(413)
Investment impairment	73,594	45,264
Income not taxable	(88,877)	(455,800)
UK - UK transfer pricing	1,410	989
Other timing differences	(239)	(23)
Depreciation in excess of capital allowances	259	94
Overseas income taxable	2,964	2,530
Group relief for nil consideration and UK UK inter-company transfer pricing	(746)	(7,199)
Adjustment in respect of prior years	268	-
Current tax charge for the year	268	-

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013, enacted under Finance Act 2012. Further reductions to the main rate were proposed in the Autumn Statement 2012 and the Budget Statement 2013 to respectively reduce the rate to 21% by 1 April 2014 and to 20% by 1 April 2015. Beyond a reduction to 23% from 1 April 2013, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of the proposed changes to the financial statements is not expected to be material.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8. Tangible fixed assets

	Land and buildings				
	Freehold	Long leasehold	Short leasehold	Fixtures and fittings	Total
	£000	£000	£000	£000	£000
Cost*					
1 January 2012	8,867	1,766	10,626	34,377	55,636
Additions	7,783	-	-	-	7,783
Disposals	-	-	-	(110)	(110)
31 December 2012	16,650	1,766	10,626	34,267	63,309
Accumulated depreciation					
1 January 2012	(4,950)	(1,126)	(6,486)	(21,456)	(34,018)
Charge for the year	(156)	(28)	(621)	(2,438)	(3,243)
31 December 2012	(5,106)	(1,154)	(7,107)	(23,894)	(37,261)
Net book value:					
31 December 2012	11,544	612	3,519	10,373	26,048
31 December 2011	3,917	640	4,140	12,921	21,618

The cost of assets acquired during the year for onward finance leasing was £nil (2011 £nil) was part of the acquisition of the trade and assets of Centrica Leasing (PB) Limited and Centrica Leasing (KL) Limited and had an original cost of £179,842,000

9. Investments

	Subsidiary undertakings	Joint ventures and associates	Trade investment	Total
	£000	£000	£000	£000
1 January 2012	5,676,991	2,388,090	23,136	8,088,217
Additions	2,005,489	64,029	2,696	2,072,214
Disposals	(16,291)	-	-	(16,291)
31 December 2012	7,666,189	2,452,119	25,832	10,144,140
Provisions for impairment				
1 January 2012	(189,118)	-	(23,136)	(212,254)
Impairments	(164,903)	(200,408)	-	(365,311)
Impairment reversal	67,929	-	-	67,929
Disposals	7,252	-	-	7,252
31 December 2012	(278,840)	(200,408)	(23,136)	(502,384)
Net book value				
31 December 2012	7,387,349	2,251,711	2,696	9,641,756
31 December 2011	5,487,873	2,388,090	-	7,875,963

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

9. Investments (continued)

On 31 December 2012, as part of an internal reorganisation by the ultimate parent company the following transactions were completed

The company purchased the investment in Centrica Production Limited from Centrica Resources UK Limited at book value of £1,252,736,000 in exchange for an intercompany payable

The investments of Centrica Production Limited were transferred to the Company at a combined book value of £466,575,000

Centrica North Sea Gas Limited
Centrica North Sea Oil Limited
Centrica Infrastructure Limited
Centrica Production (Services) Limited
Centrica Upstream Investments Limited
Centrica Production Trustees Limited
Centrica Production (GMA) Limited
CH4 Old Limited
CH4 Energy Limited
Centrica Production (DMF) Limited

Subsequently, the trade and assets of the immediate holding company of Centrica Production Limited, Centrica Resources UK Holdings Limited, were transferred to the Company and the Company's investment in Centrica Resources UK Holdings Limited was impaired by £157,138,000 to the net asset value of this company. The consideration payable by the Company for the trade and assets of Centrica Resources (UK) Holdings Limited was £205,161,000 and the aggregate book value of the net assets was £207,989,000. The difference of £2,828,000 was recorded as negative goodwill and recognised in full in the current year income statement as no non-monetary assets were acquired. This is the period expected to benefit from the transaction. The consideration of £205,161,000 was subsequently cleared by a dividend of the same amount.

The Company sold the entire share capital in Econergy Limited to British Gas New Heating Limited for its book value of £7,654,000.

The trade and assets of Dyno Holdings Limited were transferred to the Company, in exchange for an intercompany payable of £9,364,000. This was offset by the payment of a dividend of the same amount. The trade of Dyno Holdings Limited will be taken on in the Company from this date. The consideration payable by the Company for the trade and assets of Dyno Holdings Limited was £9,364,000 and the aggregate book value of the net assets was £9,657,000. The difference of £293,000 was recorded as negative goodwill and recognised in full in the current year income statement as no non-monetary assets were acquired. This is the period expected to benefit from the transaction.

The Company made a capital contribution of £30,000,000 to British Gas Commercial Services Limited, a subsidiary company.

The Company acquired 100% of the share capital in British Gas New Heating Limited from British Gas Services Limited at book value of £2 and also made a capital contribution of £80,000,000. £41,033,000 of the capital contribution was in the form of the waiver of an existing loan balance, the remainder being in the form of a cash contribution.

The Company purchased 100% of the share capital in Centrica Leasing (KL) Limited for £2. The trade and assets of Centrica Leasing (KL) Limited were transferred to the Company at book value of £522,000. Existing loans of £6,222,000 were forgiven.

The Company purchased 100% of the share capital in Centrica Leasing (PB) Limited for £500,000. The trade and assets of Centrica Leasing (PB) Limited were transferred to the Company at book value of £8,261,000. Existing loans of £712,000 were forgiven.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

9. Investments (continued)

The trade and assets of Soren Holdings Limited were transferred to the Company at the book value of £2. The transfer took place in exchange for an intercompany payable of £2.

The investment in SF (UK) Limited was sold at book value for £2 to British Gas Services Limited. The investment in British Gas Housing Services was sold at book value for £1,385,000 to British Gas Services Limited.

On the 18 December 2012 the Company entered into a series of transactions to implement an asset backed contribution structure with the Group's three main pension schemes. As part of the structure the Company subscribed for 230,150,000 £1 shares at par in Centrica Finance (Scotland) Limited.

On 1 June 2012 the Company acquired an 11% interest in Powerplus Communications AG for £2,696,000.

Impairment provisions of £164,903,000 were made during the year to reduce the carrying value of investments in Centrica Resources UK Holdings Limited (£157,138,000), Centrica Brigg Limited (£1,843,000), British Gas Housing Services Limited (£5,035,000) and JKE Services (UK) Limited (£887,000) to the value of the underlying net assets or value of the underlying income generating business.

The cost of the investment in Centrica KPS Limited and the attributable inter group creditor were reduced by £54,015,000 to correct the cost of acquisition made in 2011. The impairment of the same amount was reversed in the profit and loss account. These corrections are included in additions and impairment reversals. The impairment against Centrica Insurance Company Limited of £13,914,000 has been reversed as the current trading position supports the reversal of the previous impairment.

On 4 February 2013 the Group announced its decision not to proceed with the nuclear new build investment. Accordingly the Company has recorded an impairment of £200,408,000 at the year end to reduce the carrying value of the Company's net investment in NNB Holding Company Limited.

The directors believe that the carrying value of investments is supported by their underlying net assets or the value of the underlying income generating business.

The principal investments shown here is a list of those companies which in the Directors' opinion are significant to the Company.

Principal subsidiary undertakings	Business	Country of incorporation	Direct investment in ordinary shares (%)	Indirect interest in ordinary shares (%)
Brae Canada Limited (i)	Investment company	Canada		100
British Gas Insurance Limited	Insurance provision	England	100	
British Gas Services Limited	Servicing and installation of gas heating systems	England	100	
British Gas New Heating Limited	Servicing and installation of gas heating systems	England	100	
British Gas Trading Limited	Energy supply	England	100	
Centrica Energy (Trading) Limited	Wholesale energy trading	England		100
Centrica Energy Limited	Wholesale energy trading	England	100	
Centrica Finance (Scotland) Limited	Investment company	Scotland	100	
Centrica Langage Limited	Power generation	England	100	
Centrica North Sea Gas Limited	Gas and oil production	Scotland	100	
Centrica North Sea Oil Limited	Gas and oil production	Scotland	100	
Centrica Norway Limited	Gas and oil exploration and production	England		100

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

9. Investments (continued)

Principal subsidiary undertakings	Business	Country of incorporation	Direct investment in ordinary shares (%)	Indirect interest in ordinary shares (%)
Centrica Production Nederland BV	Gas and oil exploration and production	Netherlands		100
Centrica Resources Limited	Gas and oil production	England	100	
Centrica SHB Limited	Power generation	England	100	
Centrica Storage Limited	Gas storage	England		100
Centrica LNG Company Limited	Energy supply	England	100	
Direct Energy Marketing Limited	Energy supply and home services	Canada		100
Direct Energy Partnership	Energy supply	Canada		100
Direct Energy Resources Partnership	Gas production	Canada		100
Hydrocarbon Resources Limited	Gas production	England		100

(i) Brae Canada Limited has a branch registered in England

The Company's principal associates and joint ventures were

Principal joint ventures and associates	Business	Country of incorporation	Direct investment in ordinary shares (%)	Indirect interest in ordinary shares (%)
Barrow Offshore Wind Limited	Wind farm development			50
Braes of Doune Wind Farm (Scotland) Limited	Wind farm development			50
Celtic Array Limited	Wind farm development	England		50
GLID Wind Farms TopCo Limited	Renewable energy holding company	England		50
Lake Acquisitions Limited	Power generation	England	20	
Lincs Windfarm Limited	Renewable energy holding company	Scotland		50
NNB Holding Company Limited	Holding company	England	20	

10. Debtors (amounts falling due within one year)

	2012 £000	2011 £000
Amounts owed by Group undertakings	329,038	334,028
Taxation	1,451	1,424
Other debtors	34,180	32,338
Prepayments and accrued income	9,769	11,790
	374,438	379,580

Amounts owed by Group undertakings totalling £1,000,000 (2011 £1,000,000) incur interest at 3 month LIBOR rate plus 150 basis points, reset on a quarterly basis at the rate on the last day of the preceding quarter. Interest is receivable quarterly in arrears. Amounts owed by Group undertakings totalling £25,140,000 (2011 £23,657,000) incur interest at between 5.5% and 6.4% (2011 5.5% and 6.4%). The remaining balances in 2012 and 2011 are not interest bearing. All amounts are unsecured, and unless stated, have no fixed date of repayment and are repayable on demand. Amounts owed by Group undertakings are net of impairment provisions of £3,000,000 (2011 £nil).

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

11. Debtors (amounts falling due after more than one year)

	2012 £000	2011 £000
Amounts owed by Group undertakings	50,861	-
	<u>50,861</u>	<u>-</u>

The unsecured amount owed incurs interest at between 5.5% and 6.4% and is repayable in instalments over 19 years. These amounts owed by Group undertakings and payable by instalment are analysed as follows:

	2012 £000	2011 £000
Total amount receivable	89,558	-
Less interest allocated to future years	(13,557)	-
Net investment in inter-company finance leases	76,001	-
Debtors amounts falling due within one year	25,140	-
Debtors amounts falling due after one year	<u>50,861</u>	<u>-</u>

12. Creditors (amounts falling due within one year)

	2012 £000	2011 £000
Amounts owed to Group undertakings	7,125,273	5,905,415
Other creditors	38,531	38,413
Accruals and deferred income	11,461	15,991
	<u>7,175,265</u>	<u>5,959,819</u>

Amounts owed to Group undertakings of £501,115,000 (2011: £499,092,000) accrue interest at the 3 month LIBOR reset on a quarterly basis at the rate on the last day of the preceding quarter. Interest is payable quarterly in arrears. £428,122,000 (2011: £89,904,000) bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.28% and 3.51% per annum during 2012 (2011: between 1.71% and 2.71%). The remaining balances in 2012 and 2011 are not interest bearing. All other amounts are unsecured, have no fixed date of repayment and are repayable on demand.

13. Creditors (amounts falling due after one year)

	2012 £000	2011 £000
Amounts owed to Group undertakings	656,460	-
	<u>656,460</u>	<u>-</u>

Amounts owed to Group undertakings of £656,460,000 accrue interest at 7% for periods of 4 to 15 years. Interest is payable annually in arrears. All amounts are unsecured.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14. Provisions for liabilities

	1 January 2012 £000	Profit and loss charge £000	Utilised in the year £000	31 December 2012 £000
Property costs (i)	23,088	5,866	(2,639)	26,315
One tel disposal costs	974	-	(974)	-
Deferred taxation	273	(15)	-	258
Total	24,335	5,851	(3,613)	26,573

- (i) The provision relates to onerous leases in respect of sub-let 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

Deferred tax liabilities / (assets) comprised:	Amounts provided		Potential amounts unrecognised	
	2012 £000	2011 £000	2012 £000	2011 £000
Accelerated capital allowances	622	912	-	-
Other timing differences	(364)	(639)	(26,974)	(28,341)
	258	273	(26,974)	(28,341)

15. Called up Share Capital

	2012 £'000	2011 £'000
Issued, allotted and fully paid:		
1,473,121 (2011 1,473,121) ordinary shares of £1 each	1,473	1,473

16. Reconciliation of movement in reserves

	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2012	500,000	1,791,604	2,291,604
Retained profit for the financial year	-	46,500	46,500
Dividend paid	-	(100,000)	(100,000)
At 31 December 2012	500,000	1,738,104	2,238,104

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

17. Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Retained profit for the financial year	46,500	1,564,348
Dividend paid	(100,000)	(1,425,000)
Net additions to shareholders' funds	(53,500)	139,348
Opening shareholders' funds	2,293,077	2,153,729
Closing shareholders' funds	2,239,577	2,293,077

18. Guarantees, commitments and contingencies

a) Operating lease commitments

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

Expiring.	2012 £000	2011 £000
Within one year	1,780	836
Between two to five years	11,159	13,460
After more than five years	17,065	13,644
	30,004	27,940

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

b) Other commitments

The Company has a commitment of £37,000,000 (2011 £96,000,000) to provide additional funding to investments in subsidiary and associated companies

c) Guarantees

At 31 December 2012 the Company had provided guarantees up to a maximum of £4,827,000 (2011 £35,968,000) to various counter-parties primarily in relation to the wholesale energy procurement activities of its subsidiaries

On 26 March 2009 the three Group pension schemes entered into a composite debenture with the Company and subsidiary companies that created a fixed and floating charge over the Humber Power Station whereby the trustees of the pension funds can, in the event of defined event of default by Centrica plc and certain other group companies enforce their security. The charge includes the interests of the Company in the shares of Centrica SHB Limited. As part of the asset backed contribution structure the Company acts as guarantor for £88,000,000 due by Centrica Finance (Scotland) Limited under the scheme.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

19. Post balance sheet events

On 4 February 2013 the Group announced its decision not to proceed with the nuclear new build investment. Accordingly the Company has recorded an impairment of £200,408,000 at the year end against NNB Holding Company Limited. On 18 March 2013 the investment in NNB Holding Company limited was disposed of.

In 2012 the Company implemented an asset backed contribution to the Group's three main pension schemes. On the 27 March 2013, three loans associated with the contribution were novated from Centrica plc to CFCPP LLP (£95,880,000), CFCEPS LLP (£14,820,000), CFCPS LLP (£315,610,000). On the 27 March 2013 the Company also borrowed £439,270,000 interest free from Centrica plc, and used the funds to subscribe for 439,270,000 £1 shares at par in Centrica Finance (Scotland) Limited.

On 19 April 2013 the Company purchased approximately 15% of 4 Energy Limited for a consideration of £4,000,000.

On 15 May 2013 the company made a further investment in Alertme com Limited of £1,500,000 bringing the total interest in Alertme com Limited to 18.5%.

20. Ultimate parent undertaking

Centrica 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 controlling party and the only company to consolidate the financial statements of GB Gas Holdings Limited. Copies of the Annual Report of Centrica plc may be obtained from www.centrica.com.