

CENTRICA HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 2006



REGISTERED NO: 5625463

Centrica Holdings Limited

Directors' report and financial statements

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Centrica Holdings Limited

Directors' report for the period ended 31 December 2006

The Directors present their report and the audited financial statements of Centrica Holdings Limited ("the Company") for the 13 month and 14 day period ended 31 December 2006

Incorporation

The Company was incorporated on 16 November 2005 with an authorised share capital of 1,000,000 £1 shares of which two shares were subscribed at par. The accounting reference date was changed to 31 December to align accounting dates with the parent undertaking.

Business review and principal activities

The principal activity of the Company is to act as a holding company for Centrica group companies.

On 11 April 2006, the authorised share capital was increased from £1,000,000 to £7,000,000,002 and a subsequent issue of 7,000,000,000 shares of £1 each was made for consideration of the entire share capital of GB Gas Holdings Limited.

On 3 May 2006, the authorised and issued share capital of the Company was decreased to £2 by the cancellation of 7,000,000,000 shares of £1 each with approval of the courts.

Results and dividends

The results of the Company are set out on page 6. The Company's loss after tax for the period was £60,588,000.

During the period interim dividends of £1,967,000,000 (£983,500,000 per share) were paid to Centrica plc the parent company on the 24 May 2006. No further final dividend has been recommended by the Directors.

A share capital reduction approved by the courts resulted in a £7,000,000,000 transfer between share capital and distributable reserves. Losses after dividends of £2,027,588,000 have also been transferred to reserves in the period.

Future outlook

The Directors intend that the Company continue to act as a holding company for the foreseeable future.

Key performance indicators

Given the straightforward 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 or 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 Centrica plc group and are not managed separately. Accordingly, the principal risks and uncertainties for the Centrica plc group, which include those of the Company, are discussed on page 21 of the Group's annual report which does not form part of this report.

Centrica Holdings Limited

Directors' report for the period ended 31 December 2006 (continued)

Directors

The following served as Directors during the period, and up to the date of signing these financial statements

P K Bentley	(appointed 16 November 2005)
I G Dawson	(appointed 16 November 2005)
S H W Lairdlaw	(appointed 3 July 2006)
M S Clare	(appointed 16 November 2005, resigned 30 September 2006)
R A Gardener	(appointed 16 November 2005, resigned 30 June 2006)

Political and charitable donations

The Company made no political or charitable donations during the period

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 period 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

Centrica Holdings Limited

Directors' report for the period ended 31 December 2006 (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 as at the end of the financial year and of the profit or loss of the Company for the financial year.

In preparing those financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently, except for changes arising on the adoption of new accounting standards,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors 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 14 September 2007

For and on behalf of
Centrica Secretaries Limited
Company Secretary
14 September 2007

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

Centrica Holdings Limited

Independent auditors' report to the member of Centrica Holdings Limited

We have audited the financial statements of Centrica Holdings Limited for the period ended 31 December 2006 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

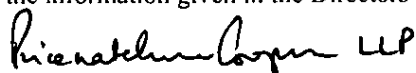
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its loss for the period 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

14 September 2007

Centrica Holdings Limited

Profit and loss account for the period ended 31 December 2006

	Notes	13 month and 14 day period ended 31 December 2006 £000
Operating profit	3	-
Interest payable and similar charges	4	(60,588)
Loss on ordinary activities before taxation		(60,588)
Taxation on profit on ordinary activities	5	-
Loss for the financial period		(60,588)

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the retained profit 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 and therefore a Statement of Total Recognised Gains and Losses has not been presented

A statement of movements in shareholders' funds is shown in note 11

The notes on pages 8 to 13 form part of these financial statements

Centrica Holdings Limited

Balance Sheet as at 31 December 2006

	Note	2006 £000
Fixed Assets		
Investments	7	7,000,000
		<u>7,000,000</u>
Creditors (amounts falling due within one year)	8	(1,410,588)
Net current liabilities		<u>(1,410,588)</u>
Total assets less current liabilities		<u>5,589,412</u>
Creditors (amounts falling due in over one year)	8	<u>(617,000)</u>
Net assets		<u>4,972,412</u>
Capital and reserves		
Called up share capital	9	-
Profit and loss account	10	4,972,412
Total capital and reserves	10 & 11	<u>4,972,412</u>

The financial statements on pages 6 to 13 were approved and authorised for issue by the Board of Directors on 14 Sept. 2007 and were signed on its behalf by



I G Dawson
Director

The notes on pages 8 to 13 form part of these financial statements

Centrica Holdings Limited

Notes to the financial statements for the period ended 31 December 2006

1 Principal accounting policies

Accounting principles

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards consistently applied, and under the historical cost convention and the Companies Act 1985

Changes in accounting policies

The company has adopted FRS 20 'Share based payments' in these financial statements. The adoption of this standard represents a change in accounting policy although there has been no material impact on adoption.

Basis of preparation

The financial statements have been prepared on a going concern basis.

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 provision for impairment. The Directors perform impairment reviews when there has been an indication of impairment.

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 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.

Centrica Holdings Limited

Notes to the financial statements for the period ended 31 December 2006 - continued

1 Principal accounting policies (continued)

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.

Interest-bearing loans and borrowings All interest-bearing loans and borrowings are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium.

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 33 to the Centrica plc group Annual Report and Accounts.

Dividends

Dividends are recognised in the period in which they are declared.

2 Directors and employees

a) Directors

The Directors received no emoluments during the period ended 31 December 2006 in respect of their services to the Company. The Directors are remunerated by other group undertakings in respect of their services to the Group, and this could not be allocated on a reasonable basis to the Company for either the current or prior year.

All Directors are members of the ultimate parent company's defined benefit pension scheme. Details of the defined benefit pension scheme can be found in the Centrica plc 2006 Annual Report and Accounts.

b) Employees

There were no employees of the Company during the period ended 31 December 2006.

3 Operating profit

The audit fee of £3,000 was borne by Centrica plc in this period.

4 Interest payable and similar charges

	month and 14 day period ended 31 December 2006 £000
Interest payable to group undertakings	(60,588)
	<u>(60,588)</u>

Centrica Holdings Limited

Notes to the financial statements for the period ended 31 December 2006 - continued

5 Taxation on profit on ordinary activities

(a) Analysis of the tax charge in the period

	13 month and 14 day period ended 31 December 2006 £000
The tax charge comprises	
Current tax	
United Kingdom corporation tax at 30% based on the profit for the period	-
Total current tax	-
Deferred tax	
-origination and reversal of timing differences	-
Total tax on profit on ordinary activities	-

(b) Factors affecting the tax charge of the period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

Loss on ordinary activities before tax	(60,588)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	(18,176)
Group relief for nil consideration	18,176
Current tax charge for the period	-

6 Dividends

	2006 £000
Interim dividend of £983,500,000 per share declared 24 th May 2006 and paid before the end of the period No final dividend has been declared	1,967,000

7 Investments

Cost	2006 £000
Brought forward at beginning of period	-
Acquisition of shares in group undertakings	7,000,000
Carried forward at 31 December	7,000,000
Provision for impairment	
Brought forward and carried forward at 31 December	-
Net book value at 31 December	7,000,000

On 11 April 2006 Centrica plc transferred its investment in GB Gas Holdings Limited to Centrica Holdings Limited. The transfer was made under the group reconstruction relief provisions of s132 Companies Act 1985. Centrica Holdings Limited issues 7,000,000,000 shares of a nominal value of £1 each to Centrica plc as consideration for the transfer of shares of GB Gas Holdings Limited.

Centrica Holdings Limited

Notes to the financial statements for the period ended 31 December 2006 - continued

7 Investments - continued

Upon acquiring GB Gas Holdings Limited the company also acquired interests in the following principal undertakings which are owned by that company. This information is pursuant to Section 231 (5) Companies Act 1985

Principal subsidiary undertakings ⁽ⁱⁱⁱ⁾	Business	Country of incorporation	Proportion of nominal value of ordinary shares held (%)
Accord Energy Limited ⁽ⁱ⁾	Wholesale energy trading	England	100
British Gas Services Limited ⁽ⁱ⁾	Servicing & installation of gas heating systems	England	100
British Gas Trading Limited ⁽ⁱ⁾	Energy supply	England	100
Centrica Barry Limited ⁽ⁱ⁾	Power Generation	England	100
Centrica Energia SL ⁽ⁱ⁾	Energy Supply	Spain	100
Centrica Energy Operations Ltd ⁽ⁱ⁾	Power Generation	England	100
Centrica Gamma Holdings Ltd ⁽ⁱ⁾	Holding Company	England	100
Centrica Generation Limited ⁽ⁱ⁾	Power Generation	England	100
Centrica (Horne & Wren) Limited ⁽ⁱ⁾	Power Generation	England	100
Centrica Insurance Company Ltd ⁽ⁱ⁾	Insurance services	Isle Of Man	100
Centrica Jersey Limited ⁽ⁱ⁾	Holding Company	Jersey	100
Centrica KL Ltd ⁽ⁱ⁾	Power Generation	England	100
Centrica Langage Limited ⁽ⁱ⁾	Power Generation	England	100
Centrica Overseas Holdings Ltd ⁽ⁱ⁾	Holding Company	England	100
Centrica PB Ltd ⁽ⁱ⁾	Power Generation	England	100
Centrica Renewable Energy Ltd ⁽ⁱ⁾	Holding Company	England	100
Centrica Resources Limited ⁽ⁱ⁾	Gas and Oil Production	England	100
Centrica Resources (Armada) Limited ⁽ⁱ⁾	Gas and Oil Production	England	100
Centrica Risk Limited ⁽ⁱ⁾	Non-Life Insurance	Eire	100
Centrica RPS Limited ⁽ⁱ⁾	Power Generation	England	100
Centrica Storage Holdings Ltd ⁽ⁱ⁾	Gas Storage	England	100
Centrica Trading Limited ⁽ⁱ⁾	Holding Company	England	100
Coastal Energy Limited ⁽ⁱ⁾	Clean Coal Generation	England	100
DER Development No 10 Ltd ⁽ⁱ⁾	Gas Production	Canada	100
Direct Energy Marketing Ltd ⁽ⁱ⁾	Energy Supply	Canada	100
Direct Energy Services LLC ⁽ⁱ⁾	Home Services	Canada	100
Dyno Holdings Limited ⁽ⁱ⁾	Home Services	England	100
GB Gas Holdings Limited ⁽ⁱⁱ⁾	Holding Company	England	100
Electricity Direct (UK) Limited ⁽ⁱ⁾	Energy Supply	England	100
Hydrocarbon Resources Ltd ⁽ⁱ⁾	Gas Production	England	100
Humber Power Limited ⁽ⁱ⁾	Power Generation	England	100
Oxxio NV ⁽ⁱ⁾	Energy Supply	Netherlands	100
Regional Power Generators ⁽ⁱ⁾	Power Generation	England	100
Principal joint ventures			
Segebel SA ⁽ⁱ⁾	Energy Supply	Belgium	50
Coots Limited ⁽ⁱ⁾	CO ₂ Transportation	England	55

(i) Principal undertakings indirectly held by the Company

(ii) Principal undertakings directly held by the Company

(iii) 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

Centrica Holdings Limited

Notes to the financial statements for the period ended 31 December 2006 - continued

8 Creditors

	2006 Amounts due in under one year £000	2006 Amounts due in over one year £000
Amounts owed to group undertakings	(1,410,588)	(617,000)
	<u>(1,410,588)</u>	<u>(617,000)</u>

Amounts owed to group undertakings due in under one year comprises unsecured non trading balances, all of which are repayable on demand, and of which £1,350,000,000 payable to Hydrocarbon Resources Limited attracts an interest at the three month LIBOR plus 20 basis points, reset quarterly and paid in arrears

Amounts due in over one year comprise one loan payable to Centrica Gas Production LP, repayable in 2012, attracting interest at the three month LIBOR plus 20 basis points, reset quarterly and paid in arrears

9 Called up share capital

	2006 £
Authorised 2 ordinary shares of £1 each	<u>2</u>
Issued, allotted and unpaid 2 ordinary shares of £1 each	<u>2</u>

The Company was incorporated on 16 November 2005 with an authorised share capital of £1,000,000 of which two £1 shares were issued at par value

On 11 April 2006 the authorised share capital of the Company was increased to £7,000,000,002

On 11 April 2006 the Company issued 7,000,000,000 £1 shares at par to Centrica Plc

On 3 May 2006, with approval of the courts, the share capital of the company was reduced to £2

10 Reserves

	Profit and loss account £000
Brought forward	-
Loss for the period	(60,588)
Dividends paid	(1,967,000)
Share capital reduction in period ⁽ⁱ⁾	<u>7,000,000</u>
31 December 2006	<u>4,972,412</u>

(i) On 3rd May 2006 Centrica Holdings Limited undertook a court approved reduction in share capital in accordance with the provisions of s135 Companies Act 1985 reducing its share capital from 7,000,000,002 ordinary shares of £1 each to £2 divided into 2 ordinary shares of £1 each. The cancellation of share capital has been credited to the profit and loss reserve and is considered distributable

Centrica Holdings Limited

Notes to the financial statements for the period ended 31 December 2006 - continued

11 Reconciliation of movements in equity shareholders' funds

	2006 £000
Issue of shares during the period	<u>7,000,000</u>
Loss for the period	(60,588)
Dividends paid	<u>(1,967,000)</u>
Retained profit for the period	<u>(2,207,588)</u>
Equity shareholders' funds as at 31 December	<u>4,972,412</u>

During the period the Company undertook a court approved reduction in share capital which resulted in the transfer of £7,000,000,000 between share capital and the profit and loss reserve. Further details are included in footnote (i) to note 10.

12 Ultimate parent company

The Company is a wholly owned subsidiary of Centrica Plc, a company registered in England and Wales.

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