

GB GAS HOLDINGS LIMITED

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2001**

Registered Number: 3186121



GB Gas Holdings Limited

Annual Report for the year ended 31 December 2001

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GB Gas Holdings Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

Principal activities

The principal activity of the company is to act as an investment holding company.

Dividends

No dividends were paid for the year ended 31 December 2001 (2000 £1,000,000,000).

£15,111,000 has been transferred to reserves (2000 £9,121,000 to reserves).

Creditor payment policy

The company aims to pay all of its creditors (of which none were trade creditors) promptly.

Directors and their interests

The following served as directors during the year:

R A Gardner
M S Clare
I G Dawson
P K Bentley

At no time during the year ended 31 December 2001, did any director have any interest in the shares of the Company or any other company within the Centrica group, except for interests in, and options over, the shares and interests of the ultimate parent company, Centrica plc. Details of the interests of R A Gardner, M S Clare and P K Bentley in the shares and options over shares in the ultimate parent company, Centrica plc, are shown in the 2001 Centrica Annual Report and Accounts. Details of the interests of I G Dawson, were as follows:

Interests in the ordinary shares

	As at 31 Dec. 2001	As at 31 Dec. 2000
I G Dawson	33,621	37,003

Interest shown include shares held under the terms of the Centrica plc profit sharing scheme, where applicable.

Sharesave

	As at 31 Dec. 2001	As at 31 Dec. 2000
I G Dawson	4,781	4,781

Options over shares in Centrica plc granted in June 2000 were at an option price of 202.6 pence.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2001- continued

Long Term Incentive Scheme

	As at 31 Dec. 2001	Granted in the year	Exercised during the year	As at 31 Dec. 2000
I G Dawson	742,561	91,485	-	651,076

Notional allocations of shares were made on 1 October 2001 at a base price of 234.37 pence. Figures as at 31 December 2001 shown above include notional allocations of shares subject to performance conditions and for I G Dawson, allocations of shares that have reached the conclusion of the relevant performance period but will not be transferred until the expiry of the retention period (a further two years).

Centrica Executive Share Option Scheme

	As at 31 Dec. 2001	Granted in the year	Exercised during the year	As at 31 Dec. 2000
I G Dawson	208,289	208,289	-	-

Options were granted on 31 May 2001 under the terms of the Centrica Executive Share Option Scheme at an option price of 240.05 pence. The options will become exercisable, to the extent that performance conditions are satisfied, three years after the date of the grant and remain exercisable until the tenth anniversary of the grant.

Options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme and New Executive Share Option Scheme, and allocations made under the terms of the Long Term Incentive Scheme. Details of these schemes can be found in the 2001 accounts of Centrica plc.

The closing price of a Centrica plc ordinary share on the last day of trading of 2001 (31 December) was 222 pence. The range during the year was 257 pence (high) and 199.75 pence (low).

There were no contracts of significance subsisting during or at the end of the financial period to which the Company or any of its subsidiary and associated undertakings is a party and in which any director is or was materially interested.

Directors' and officers' liability

The ultimate parent company has maintained insurance cover for all the directors and officers against liabilities in relation to the company.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors of the Company.

In accordance with the Companies Act 1985, the Company has passed an elective resolution to dispense with the need to appoint auditors on an annual basis, as permitted by Section 386 of the Companies Act.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2001- continued

This report was approved by the Board on 23 August 2002.

By order of the Board

A handwritten signature in black ink, appearing to be 'I Ritchie', written over a horizontal line.

I Ritchie
For and behalf of
Centrica Secretaries Limited

23 August 2002

Registered office:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2001- continued

Statement of directors' responsibilities for preparing the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 6 to 16, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

GB Gas Holdings Limited

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

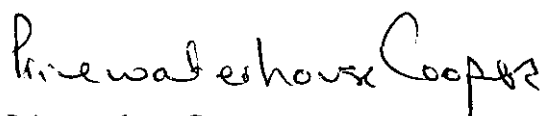
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the Company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
23 August 2002

GB Gas Holdings Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £000	2000 £000
Administrative expenses		(51,714)	(20,007)
Other operating income		47,746	20,007
Operating profit	4	(3,968)	-
Profit from disposal of fixed asset investments	5	5,251	-
Profit on ordinary activities before net interest		1,283	-
Income from shares in group undertakings	6	5,454	1,002,849
Net interest	7	7,717	6,272
Profit on ordinary activities before taxation		14,454	1,009,121
Tax on profit on ordinary activities	8	657	-
Profit on ordinary activities after taxation for the financial year		15,111	1,009,121
Dividends	9	-	(1,000,000)
Transfer to reserves	19	15,111	9,121

All activities relate to continuing operations.

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

A statement of movements in shareholders' funds is shown in note 20.

Statement of total recognised gains and losses

	2001 £000	2000 £000
Profit for the financial year	15,111	1,009,121
Total recognised gains and losses relating to the year	15,111	1,009,121
Prior year adjustment (note 2)	317	
Total gains and losses recognised since last financial statements	15,428	

The notes on pages 8 to 16 form part of these financial statements.

GB Gas Holdings Limited

Balance Sheet as at 31 December 2001

	Note	2001 £000	2000 as restated £000
Fixed assets			
Tangible fixed assets	10	46,875	25,793
Investments	11	4,963,436	4,670,385
		<u>5,010,311</u>	<u>4,696,178</u>
Current assets			
Debtors (amounts receivable within one year)	12	67,807	76,258
Debtors (amounts receivable after more than one year)	12	317	317
Current asset investment	13	49,940	-
		<u>118,064</u>	<u>76,575</u>
Creditors (amounts falling due within one year)			
Borrowings	14	(23,970)	(24,430)
Other creditors	15	(3,099,445)	(2,765,253)
		<u>(3,123,415)</u>	<u>(2,789,683)</u>
Net current liabilities		<u>(3,005,351)</u>	<u>(2,713,108)</u>
Total assets less current liabilities		2,004,960	1,983,070
Creditors (amounts falling due after more than one year)	16	(6,760)	-
Provisions for liabilities and charges	17	(1,418)	(1,399)
Net assets		<u>1,996,782</u>	<u>1,981,671</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Share premium account	19	688,364	688,364
Profit and loss account	19	1,307,418	1,292,307
Shareholders' funds	20	<u>1,996,782</u>	<u>1,981,671</u>

The financial statements on pages 6 to 16 were approved by the Board of Directors on 23 August 2002 and were signed on its behalf by:



P K Bentley
Director

The notes on pages 8 to 16 form part of these financial statements.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2001

1 Principal accounting policies

Accounting principles

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention and the Companies Act 1985. Both Financial Reporting Standard (FRS) 18, Accounting Policies, and FRS 19, Deferred Tax, were adopted in 2001.

Exemptions

As the company is a wholly owned subsidiary undertaking of Centrica plc, the company has taken advantage of the exemptions within: Financial Reporting Standard No 1 "Cash Flow Statements" from presenting a cash flow statement; Financial Reporting Standard No 2 "Accounting for Subsidiary Undertakings" from consolidating its subsidiary undertakings and incorporating the results of its share of associated undertakings and joint ventures; and Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other group companies.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at 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 lives. The depreciation period for freehold and leasehold buildings is up to 50 years.

Fixed asset investments

Fixed asset investments are included in the balance sheet at cost, less accumulated provisions, for amortisation and any impairment.

Leases

Rentals under operating leases are charged to the profit and loss account as incurred.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2001- continued

1 Principal accounting policies- continued

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 net 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.*

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Notes to the financial statements for the year ended 31 December 2001- continued

2 Changes in accounting policy

The comparative figures have been restated as a result of the implementation of FRS 19, Deferred Tax. The impact of the change of accounting policy is as follows:

Profit and loss account (for the year ended 31 December)

	2001 £000	2000 £000
Tax credit on profit on ordinary activities	-	-
Profit on ordinary activities after tax for the financial year	-	-

Balance sheet (as at 31 December)

Debtors falling due after one year	-	317
Profit and loss reserve	-	317

3 Directors and employees

a) Directors

The Directors received no emoluments during the period ended 31 December 2001 (2000 nil) in respect of their services to the company.

All four directors are members of the ultimate parent company's defined benefit pension scheme. Directors' interests are shown in the Directors' Report on pages 1 and 2.

b) Employees

There were no employees of the company (2000 nil).

4 Operating profit

Administrative expenses included depreciation of £1,013,000 (2000 £814,000) and operating lease rentals of £23,391,000 (2000 £18,334,000). The audit fee of £10,000 (2000 £9,000) was borne by Centrica plc.

Other operating income mainly represented fees charged to group companies.

5 Profit on disposal of fixed asset investments

	2001 £000	2000 £000
Profit on disposal of fixed asset investment	5,251	-
	<u>5,251</u>	<u>-</u>

Shares in AG Solutions were disposed at a profit of £5,251,000.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2001- continued

6 Income from shares in group undertakings

	2001 £000	2000 £000
Dividends receivable from overseas group undertakings	2,409	2,849
Dividends received from UK participating interests	3,045	1,000,000
	<u>5,454</u>	<u>1,002,849</u>

Overseas dividends relate to Centrica Reinsurance and Centrica Captive Insurance.

7 Net interest

	2001 £000	2000 £000
Interest receivable from joint ventures	7,911	6,521
Interest payable on loan notes issued	(194)	(249)
	<u>7,717</u>	<u>6,272</u>

8 Taxation

	2001 £000	2000 £000
Tax on profit on ordinary activities		
The tax credit comprises		
Current tax		
UK Corporation tax	-	-
Adjustments in respect of prior years	(1,475)	-
Total current tax	(1,475)	-
Deferred tax		
Origination and reversal of timing differences	818	-
Total deferred tax	818	-
Total tax on profit on ordinary activities	<u>(657)</u>	<u>-</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 is as follows

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Notes to the financial statements for the year ended 31 December 2001- continued

8 Taxation - continued

	Year ended 31 Dec. 2001 £000	Year ended 31 Dec. 2000 £000
Profit on ordinary activities before tax	14,454	1,009,121
Tax on profit on ordinary activities at standard UK corporation tax of 30% (2000: 30%)	4,336	302,736
Effects of:		
Expenses not deductible for tax purposes	940	-
Income not taxable	(1,636)	(300,106)
Utilisation of timing differences	(173)	(2,264)
Depreciation in excess of capital allowances	(709)	244
Utilisation of losses on disposal of property	(1,575)	-
Group relief	(1,183)	(610)
Adjustments to tax charge in respect of previous periods	(1,475)	-
Current tax charge for the period	(1,475)	-

9 Dividends

No dividends were paid in respect of the year ended 31 December 2001 (2000 £1,000,000,000).

10 Tangible fixed assets

	Freehold £000	Long Leasehold £000	Short Leasehold £000	Plant & Machinery £000	Total £000
Cost					
As at 1 January 2001	21,632	18,964	13,509	-	54,105
Additions	951	-	16,710	4,434	22,095
As at 31 December 2001	22,583	18,964	30,219	4,434	76,200
Accumulated depreciation and impairment provisions					
As at 1 January 2001	(8,195)	(6,671)	(13,446)	-	(28,312)
Charge for the year	(437)	(446)	(38)	(92)	(1,013)
As at 31 December 2001	(8,632)	(7,117)	(13,484)	(92)	(29,325)
Net book value					
As at 31 December 2001	13,951	11,847	16,735	4,342	46,875
As at 31 December 2000	13,437	12,293	63	-	25,793

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2001- continued

11 Fixed asset investments

	Shares in Group undertakings £000	Participating Interests Shares £000	Loans £000	Total £000
Cost				
As at 1 January 2001	4,815,213	15,238	43,184	4,873,635
Additions	305,164	36,053	1,000	342,217
Disposals	-	(1,849)	(44,184)	(46,033)
As at 31 December 2001	<u>5,120,377</u>	<u>49,442</u>	<u>-</u>	<u>5,169,819</u>
Provisions for impairment				
As at 1 January 2001	(192,000)	(11,250)	-	(203,250)
Charge for the year	-	(3,133)	-	(3,133)
As at 31 December 2001	<u>(192,000)</u>	<u>(14,383)</u>	<u>-</u>	<u>(206,383)</u>
Net book value				
As at 31 December 2001	<u>4,928,377</u>	<u>35,059</u>	<u>-</u>	<u>4,963,436</u>
As at 31 December 2000	<u>4,623,213</u>	<u>3,988</u>	<u>43,184</u>	<u>4,670,385</u>

As at 31 December 2001 the Company had interests in the following undertakings. This information is given pursuant to Section 231(5) Companies Act 1985.

Principal subsidiary undertakings	Business	Country of incorporation	Proportion of nominal value of ordinary shares held (%)
AA Corporation Limited	Holding company	England	100
Accord Energy Limited	Wholesale energy trading	England	100
British Gas Trading Limited	Energy supply	England	100
British Gas Services Limited	Servicing & installation of gas heating systems	England	100
Centrica Canada Ltd	Holding Company and Gas Production	Canada	100
Centrica KL Ltd	Power Generation	England	100
Centrica Overseas Holdings Ltd	Holding Company	England	100
Centrica PB Ltd	Power Generation	England	100
Centrica Resources Limited	Gas production	England	100
Centrica Resources (Armada)Ltd	Gas Production	England	100
Centrica Telecommunications Ltd	Communications Business	England	100
Direct Energy Marketing Ltd	Energy Supply	Canada	100
Energy America, LLC	Energy Supply	USA	100
Goldfish Bank Ltd*	Financial Services	England	75
Hydrocarbon Resources Ltd	Gas Production from the Morecambe Fields	England	100
The Automobile Association Ltd	Jersey	England	100
Principal joint ventures	Business	Country of incorporation	Proportion of nominal value of ordinary shares held (%)
Spalding Energy Company Limited **	Power Generation	Cayman Islands	42
Humber Power Limited	Power Generation	England	60

* The Company has a 70% economic interest in the net assets of Goldfish Bank Limited.

** The Company holds 50% of the voting rights and the net assets of Spalding Energy Company Limited.

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Notes to the financial statements for the year ended 31 December 2001- continued

12 Debtors

	2001		2000	
	Within one year	After one year	Within one year as restated	After one year as restated
	£000	£000	£000	£000
Amounts owed by group undertakings	54,253	-	50,932	-
Prepayments and accrued income	13,554	-	25,326	-
Deferred Corporation Tax	-	317	-	317
	<u>67,807</u>	<u>317</u>	<u>76,258</u>	<u>317</u>

13 Current asset investments

A £49,940,000 (2000 Nil) deposit is held in relation to the acquisition of the Goldfish credit card. This amount is not readily available to be used for other purposes within the Group.

14 Borrowings (amounts falling due within one year)

	2001	2000
	£000	£000
Loan Notes (i)	5,256	5,336
Bank Overdraft	18,714	19,094
	<u>23,970</u>	<u>24,430</u>

Loan Notes are in respect of acquisition of Supergas of which only £3,806,179 (Loan Note A) is interest bearing. Interest is paid at the Royal Bank of Scotland plc's base rate. The balance of the Loan Notes (B&C) are non-interest bearing. The date of annual interest is 31 July. The final redemption dates of the Loan Notes are 31 July 2005 (Loan Note A) and 1 April 2004 (Loan Notes B & C).

15 Other creditors (amounts falling due within one year)

	2001	2000
	£000	£000
Amounts owed to group undertakings	3,082,964	2,759,920
Accruals and deferred income	8,313	400
Other	8,168	4,933
	<u>3,099,445</u>	<u>2,765,253</u>

16 Creditors (amounts falling due after more than one year)

The amount of £6,760,000 relates to Unsecured Loan Notes issued for the acquisition of Trolhurst Limited. These notes are interest bearing at a rate equal to LIBOR less 0.25% in accordance with the agreement. The final redemption date is April 2007.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2001- continued

17 Provisions for liabilities and charges

	As at 1 Jan 2001 £000	Profit & Loss charge £000	Utilised in the year £000	As at 31 Dec 2001 £000
Deferred Corporation Tax(i)	-	818	-	818
Restructuring costs	578	-	(578)	-
Other	821	600	(821)	600
Total	1,399	1,418	(1,399)	1,418

(i) Deferred tax (assets)/liabilities comprised:

Amounts provided

Potential amounts unrecognised

	2001 £000	2000 as restated £000	2001 £000	2000 as restated £000
Accelerated capital allowances	818	-	-	-
Other timing differences	(317)	(317)	(3,146)	(3,146)
	501	(317)	(3,146)	(3,146)
Deferred corporation tax liability	818	-		
Deferred corporation tax asset included in debtors (Note 12)	(317)	(317)		
	501	(317)		

18 Called up share capital

	2001 £	2000 £
Authorised:		
1,000,010 ordinary shares of £1 each	1,000,010	1,000,010
Issued, allotted and fully paid:		
1,000,003 ordinary shares (2000 1,000,003) of £1 each	1,000,003	1,000,003

19 Reserves

	Share Premium Account £000	Profit & Loss Account £000	Total £000
As at 1 January 2001 (as previously stated)	688,364	1,291,990	1,980,354
Prior year adjustment (Note 2)	-	317	317
Retained profit for the year	-	15,111	15,111
As at 31 December 2001	688,364	1,307,418	1,995,782

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2001- continued

20 Movements in shareholders' funds

	2001	2000
		as restated
	£000	£000
Shareholders' funds as at 1 January (as previously stated)	1,981,354	1,972,233
Prior year adjustment (Note 2)	317	317
	<u>1,981,671</u>	<u>1,972,550</u>
Profit for the year	15,111	1,009,121
Dividends	-	(1,000,000)
Shareholders' funds as at 31 December as restated	<u>1,996,782</u>	<u>1,981,671</u>

21 Operating lease commitments

As at 31 December 2001 the operating lease commitments (all property) of the Company for the following year were:

Expiring :	2001	2000
	£000	£000
Within one year	52	3,425
Between one and five years	3,731	750
After five years	24,811	13,245
	<u>28,594</u>	<u>17,420</u>

22 Post balance sheet events

On 22 May 2002 the Company sold its interest in Spalding Energy Company Limited for £12,250,000.

23 Ultimate parent undertaking

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 the Company Secretary, Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.