

GB GAS HOLDINGS LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2005

REGISTERED NO: 3186121



GB Gas Holdings Limited

Contents	Page
Directors' report	2-4
Statement of directors' responsibilities	5
Independent auditors' report to the member of GB Gas Holdings Limited	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9-19

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2005

The Directors present their report and the audited financial statements of GB Gas Holdings Limited ("the Company") for the year ended 31 December 2005.

Principal activities, review of business and future developments

The principal activity of the Company is to act as an investment holding company. The Company also manages the Centrica group property portfolio and recharges the costs incurred to group companies. During the year the Company disposed of its holdings in the One.tel group of companies, British Gas Connections Limited and Accuread Limited. The Company also acquired the remaining 40% of shares in Humber Power Limited to increase its holding to 100%.

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

Financial results

The Company's loss after tax for the year was £47,131,000 (2004: £2,376,814,000 profit).

Dividends and transfer to reserves

During the year dividends of £nil were paid to the parent company (2004: £2,560,000,000). £47,131,000 loss has been deducted from reserves (2004: £183,186,000).

Directors

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

P K Bentley
M S Clare (resigned 30 September 2006)
I G Dawson
Sir Roy Gardner (resigned 30 June 2006)
W S H Laidlaw (appointed 3 July 2006)

Directors' interests in shares (as defined by section 325 of the Companies Act 1985)

At no time during the year ended 31 December 2005 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 Sir Roy Gardner, M S Clare and P K Bentley in Centrica plc, are shown in the 2005 Centrica plc Annual Report and Accounts. Details of the interests of I G Dawson, as at the year end, were as follows:

Beneficial interests in ordinary shares

The interests in and options over the shares referred to below relate to ordinary shares with the nominal value of £1 each.

	As at 31 December 2005	As at 31 December 2004
I G Dawson	316,128	237,906

The figures disclosed include shares appropriated under the terms of the Centrica Share Incentive Plan.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2005 - continued

Centrica Sharesave Scheme

	1 January 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	31 December 2005
I G Dawson	15,336	-	-	-	15,336

Long Term Incentive Scheme (LTIS)

	1 January 2005	Allocations made during the year	Allocations vested during the year	Allocations lapsed during the year	31 December 2005
I G Dawson	431,546	111,524	147,867	21,378	373,825

Total allocations as at 31 December 2005 shown above are subject to challenging performance conditions. At the end of the performance period the Total Shareholder Return of Centrica plc will be assessed against that of the relevant LTIS comparator group. If, and to the extent that, the performance conditions are met, the relevant number of shares will be released to the Directors at the Trustee's discretion as soon as practicable thereafter.

A conditional allocation of shares was made under the terms of the scheme on 1 April 2005 at a price of 228 pence per share.

Centrica Executive Share Option Scheme (ESOS)

	1 January 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	31 December 2005
I G Dawson	1,096,036	297,397	-	-	1,393,433

Options were granted to the Executive Directors under the terms of the ESOS on 1 April 2005 at an option price of 228.65 pence per share.

Details of the ultimate parent company's Sharesave Scheme, ESOS and LTIS can be found in the 2005 accounts of Centrica plc, copies of which can be obtained from www.centrica.com.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2005 (30 December) was 254.75 pence. The range during the year was 264.75 pence (high) and 217.5 pence (low).

As at 31 December 2005, nil shares and 2,591 shares (1 January 2005: 6,370,264 and 2,548) were held by the respective Trustees of the employee share trusts for the purposes of the LTIS and the Share Incentive Plan. As with other employees, the Directors are deemed to have a potential interest in those shares, being beneficiaries under the trust.

There were no contracts of significance during or at the end of the financial year 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.

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2005 - continued

Events after the balance sheet date

Events after balance sheet date are disclosed in note 23 on page 19.

Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard No 8 "Related Party Transactions" from disclosure of transactions with other group companies. There have been no other disclosable related party transactions during the year (2004: nil).

Charitable and political donations

The Company made no charitable or political donations during the year (2004: £nil).

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review.

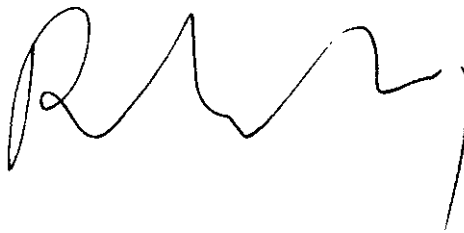
Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 27 October 2006.

For and on behalf of
Centrica Secretaries Limited
Company Secretary

27 October 2006



Registered office:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

GB Gas Holdings Limited

Directors' report for the year ended 31 December 2005 - continued

Statement of directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that 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 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.

GB Gas Holdings Limited

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

We have audited the financial statements of GB Gas Holdings Limited for the year ended 31 December 2005 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 note 1.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements.


Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

27 October 2006

GB Gas Holdings Limited

Profit and loss account for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Administrative expenses		(58,464)	(62,253)
Other operating income		57,776	61,624
Operating loss	3	(688)	(629)
Profit on the disposal of fixed asset investments	4	(1,131)	912,520
Restructuring costs	4	2,100	(18,658)
Income from shares in group undertakings	5	16,161	1,526,048
Interest receivable and similar income	6	2,435	2,824
Interest payable and similar charges	7	(59,377)	(50,740)
(Loss)/profit on ordinary activities before taxation		(40,500)	2,371,365
Tax on profit on ordinary activities	8	(6,631)	5,449
(Loss)/profit on ordinary activities after taxation		(47,131)	2,376,814
Dividends payable	9	-	(2,560,000)
Loss for the financial year	19	(47,131)	(183,186)

All activities relate to continuing operations.

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

There have been no recognised gains and losses during the year other than those shown in the profit and loss account; therefore no statement of recognised gains and losses has been presented.

A statement of movements in equity shareholder funds is shown in note 19.

The notes on pages 9 to 19 form part of these financial statements.

GB Gas Holdings Limited

Balance Sheet as at 31 December 2005

	Note	2005 £000	2004 £000
Fixed assets			
Tangible fixed assets	10	34,083	29,441
Investments	11	<u>5,277,194</u>	<u>4,753,806</u>
		<u>5,311,277</u>	<u>4,783,247</u>
Current assets			
Debtors (amounts receivable within one year)	12	961,190	997,702
Debtors (amounts receivable after more than one year)	12	<u>-</u>	<u>15,356</u>
		<u>961,190</u>	<u>1,013,058</u>
Creditors (amounts falling due within one year)			
Borrowings	13	-	(1,936)
Other creditors	14	<u>(3,699,623)</u>	<u>(3,207,933)</u>
		<u>(3,699,623)</u>	<u>(3,209,869)</u>
Net current liabilities		(2,738,433)	(2,196,811)
Total assets less current liabilities		2,572,844	2,586,436
Creditors (amounts falling due after more than one year)	15	-	(654)
Provisions for liabilities and charges	16	<u>(64,258)</u>	<u>(30,065)</u>
Net assets		<u>2,508,586</u>	<u>2,555,717</u>
Capital and reserves			
Called up share capital	17	1,473	1,473
Share premium account	18	1,567,891	1,567,891
Profit and loss account	18	<u>939,222</u>	<u>986,353</u>
Total equity shareholder funds	19	<u>2,508,586</u>	<u>2,555,717</u>

The financial statements on pages 7 to 19 were approved and authorised for issue by the Board of Directors on *27 October* 2006 and were signed on its behalf by:



I G Dawson
Director

The notes on pages 9 to 19 form part of these financial statements.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2005

1 Principal accounting policies

Accounting principles

The financial statements have been prepared in accordance with applicable UK accounting standards, consistently applied, and under the historical cost convention and the Companies Act 1985. The Company has adopted FRS 17 "Retirement benefits", FRS 21, "Events after the balance sheet date", FRS 25, "Financial instruments: disclosure and presentation", FRS 28 "Corresponding amounts" in these financial statements. The adoption of these standards represents a change in accounting policy. There has been no impact on the current or prior year as a result of these changes in policy.

Basis of preparation

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

Exemptions

The Company is a wholly owned subsidiary undertaking of Centrica plc, and has taken advantage of the exemptions within: Financial Reporting Standard No 1 (Revised) "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 historic purchase cost less accumulated depreciation and less any provisions for impairment. Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

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

Fixed asset investments

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

Asset impairments

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

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.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2005 - continued

1 Principal accounting policies – continued

Other operating income

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

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis.

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 gained 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.

Property costs

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

GB Gas Holdings Limited

Notes to the financial statement for the year ended 31 December 2005 - continued

2 Directors and employees

a) Directors

The Directors received no emoluments during the year ended 31 December 2005 (2004: £nil) 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 four Directors are members of the ultimate parent company's defined benefit pension scheme. Directors' interests are shown in the Directors' Report on pages 2 and 3. Details of the defined benefit pension scheme can be found in the Centrica plc 2005 Annual Report and Accounts.

b) Employees

There were no employees of the Company during the year ended 31 December 2005 (2004: nil).

3 Operating loss

Operating losses are stated after crediting profit on the disposal of fixed assets of £2,915,000 (2004: £1,787,000 profit). Administrative expenses included depreciation of £2,509,000 (2004: £3,294,000) and operating lease rentals on properties of £28,223,000 (2004: £37,942,000). The audit fee of £10,000 (2004: £10,000) was borne by Centrica plc.

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

4 Exceptional Items

	2005	2004
	£000	£000
Recognised after operating loss		
Business restructuring costs (i)	2,100	(18,658)
Loss/(profit) on disposal of fixed asset investments (ii) (iii) (iv) (v) (vi)	(1,131)	912,520
	<u>969</u>	<u>893,862</u>

(i) Business restructuring costs relate to provisions for costs resulting from changes to the group property portfolio.

(ii) During the year, the Company recognised a loss of £83,423,000 from the sale of its holdings in the One.tel group of companies (comprising Centrica Telecommunications Limited, Telco Holdings Limited and Awardmodel Limited). The Company received cash consideration of £130,245,000, of which £37,125,000 is based on British Gas Trading selling a fixed number of One.tel contracts to its customers over the next 3 years. The Company wrote off loans due from the One.tel group totalling £149,768,000, which included a loan balance due to the parent company, Centrica plc, of £140,037,000; a further amount was receivable by the parent company of £38,361,000, bringing the total inter-company loans written off to £111,407,000. In addition there were costs of disposal of £27,929,000 relating to legal & professional fees, charges in respect of leases on vacated properties and the marginal costs to British Gas Trading Limited of selling One.tel contracts to its customers over the next 3 years.

(iii) During the year, the Company recognised a profit of £77,145,000 from the sale of its holdings in British Gas Connections Limited. The Company received cash consideration of £90,000,000, of which £12,500,000 was transferred to British Gas Services Limited to be recognised on completion of the outstanding order book for pipelines in development at the date of sale. There were also direct costs of sale of £500,000 relating to legal and professional fees.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2005 – continued

4 Exceptional Items (continued)

(iv) During the year, the Company recognised a profit of £10,951,000 from the sale of its holdings in Accuread Limited. The Company received cash consideration of £11,000,000.

(v) During the year the Company recognised a further loss of £5,804,000 on the sale of The AA Corporation Limited, this comprised a dividend received of £3,153,000 relating to the Company's holding in Centrica Personal Finance Limited, a credit of £1,479,000 in respect of an unused provision for legal and professional costs, offset by a charge of £10,436,000 in respect of a tax covenant in the sale agreement. In 2004, the Company recognised a profit of £912,274,000 on the sale of The AA Corporation Limited. The Company received cash consideration of £1,617,849,000, and non-cash consideration of £435,210,000 representing the net balance due to the AA from the rest of the group at the date of disposal. This amount was novated as part of the disposal transaction. In addition there were further costs of disposal of £20,839,000.

(vi) In 2004 the Company's shareholdings in Petbow Co Generation Limited and Centrica Enterprises Limited were also disposed of at a profit of £240,781 and £3,808 respectively.

5 Income from shares in group undertakings

	2005	2004
	£000	£000
Dividends receivable from group undertakings	-	1,500,641
Dividends received from participating interests	16,161	25,400
Other dividends received	-	7
	16,161	1,526,048

6 Interest receivable and similar income

	2005	2004
	£000	£000
Interest receivable from subsidiary undertakings	638	-
Interest receivable from joint ventures	1,797	2,824
	2,435	2,824

7 Interest payable and similar charges

	2005	2004
	£000	£000
Interest payable to group undertakings	(58,812)	(50,619)
Notional interest on unwinding of deferred and contingent consideration creditors	(506)	-
Interest payable on loan notes issued	(59)	(121)
	(59,377)	(50,740)

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2005 - continued

8 Taxation on profit/(loss) on ordinary activities

(a) Analysis of tax charge in the period	2005	2004
	£000	£000
The tax credit comprises		
Current tax:		
UK corporation tax at 30% (2004: 30%) based on the profit/(loss) for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(728)	(5,320)
Adjustments in respect of prior years	7,359	(129)
Total deferred tax	6,631	(5,449)
Total tax on profit/(loss) on ordinary activities	6,631	(5,449)

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:

	2005	2004
	£000	£000
Profit/(loss) on ordinary activities before tax	(40,500)	2,371,365
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	(12,150)	711,410
Effects of:		
Expenses not deductible for tax purposes	5,330	(55)
Income not taxable	(5,724)	(731,693)
UK-UK transfer pricing	(15,690)	-
Other timing differences	1,116	5,536
Capital allowances in excess of depreciation	(388)	(217)
Group relief for nil consideration and UK:UK inter-company transfer pricing	27,506	15,019
Adjustments to tax charge in respect of previous years	-	-
Current tax charge for the year	-	-

9 Dividends payable

	2005	2004
	£000	£000
Equity – Ordinary		
Dividend £nil (30 September 2004: £1,221.90) per £1 share	-	1,800,000
Dividend £nil (23 December 2004: £515.91) per £1 share	-	760,000
	-	2,560,000

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2005 - continued

10 Tangible fixed assets

	Freehold £000	Long Leasehold £000	Short Leasehold £000	Plant & Machinery £000	Total £000
Cost					
1 January 2005	13,611	18,964	23,738	5,786	62,099
Additions	-	-	-	7,636	7,636
Disposals	-	-	(14,518)	-	(14,518)
31 December 2005	13,611	18,964	9,220	13,422	55,217

Accumulated depreciation

1 January 2005	(6,204)	(8,208)	(15,234)	(3,012)	(32,658)
Charge for the year	(266)	(367)	(631)	(1,245)	(2,509)
Disposals	-	-	14,033	-	14,033
31 December 2005	(6,470)	(8,575)	(1,832)	(4,257)	(21,134)

Net book value

31 December 2005	7,141	10,389	7,388	9,165	34,083
31 December 2004	7,407	10,756	8,504	2,774	29,441

11 Fixed asset investments

	Group undertakings £000	Participating interests £000	Total £000
1 January 2005	5,093,891	20,950	5,114,841
Additions (i)	600,785	-	600,785
Transfers (ii) (iii)	17,885	(20,901)	(3,016)
Disposals (iv)	(74,332)	(49)	(74,381)
31 December 2005	5,638,229	-	5,638,229

Provisions for impairment

1 January and 31 December 2005	(361,035)	-	(361,035)
---------------------------------------	------------------	----------	------------------

Net book value

31 December 2005	5,277,194	-	5,277,194
31 December 2004	4,732,856	20,950	4,753,806

- (i) During the year the Company invested £545,000,000 in the share capital of Centrica Storage Holdings Limited. The Company also acquired Awardmodel Limited and the remaining 40% of Humber Power Limited for £3,827,000 and £46,855,000 respectively. The Company's investment in Centrica (Horne & Wren) Limited increased by £4,334,000, as a result of a revision to the purchase price payable in respect of Hawkeye Exploration Limited. The deferred consideration creditor for this acquisition was therefore increased by this amount. During the year, the cost of investment in Dyno Rod Limited and Telco Holdings Limited also increased by £746,000 and £23,000 respectively.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2005 - continued

11 Fixed asset investments (continued)

- (ii) On acquiring the remaining 40% of Humber Power Limited, the shareholding, which had previously been a joint venture, became a subsidiary undertaking.
- (iii) During the year £3,016,000 was transferred from fixed asset investments to amounts receivable from group undertakings because an element of the consideration paid for Wainstones Power Limited in 2004 related to the repayment of a loan to Carlton Power Limited.
- (iv) The company disposed of its shareholding in Centrica Telecommunications Limited, One.tel Limited, Telco Holdings Limited, Awardmodel Limited and their subsidiaries (One.tel) on 30 December 2005 (see note 4). The company also disposed of its shareholding in Accuread Limited on 10 October 2005.

As at 31 December 2005 the Company had interests in the following principal undertakings. This information is given 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 ⁽ⁱⁱ⁾	Energy Supply	Spain	100
Centrica Energy Operations Ltd ⁽ⁱⁱⁱ⁾	Power Generation	England	100
Centrica Gamma Holdings Ltd ⁽ⁱⁱⁱ⁾	Holding Company	England	100
Centrica Generation Limited ⁽ⁱⁱⁱ⁾	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 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 Risk Limited ⁽ⁱⁱ⁾	Non-Life Insurance	Eire	100
Centrica RPS Limited ⁽ⁱ⁾	Power Generation	England	100
Centrica Storage Holdings Ltd ⁽ⁱ⁾	Gas Storage	England	100
DER Development No 10 Ltd ⁽ⁱⁱ⁾	Gas Production	Canada	100
Direct Energy Marketing Ltd ⁽ⁱⁱⁱ⁾	Energy Supply	Canada	100
Direct Energy Services LLC. ⁽ⁱⁱⁱ⁾	Home Services	Canada	100
Dyno Holdings Limited ⁽ⁱ⁾	Home Services	England	100
Electricity Direct (UK) Limited ⁽ⁱ⁾	Energy Supply	England	100
Hydrocarbon Resources Ltd ⁽ⁱⁱ⁾	Gas Production	England	100
Humber Power Limited ⁽ⁱ⁾	Power Generation	England	100
Oxxio NV ⁽ⁱⁱ⁾	Energy Supply	Netherlands	100
Regional Power Generators ⁽ⁱ⁾	Power Generation	England	100

For footnotes (i) – (iii) see page 16.

GB Gas Holdings Limited

Notes to the financial statements for the year ended 31 December 2005 - continued

11. Fixed asset investments (continued)

Principal Joint Ventures

SPE ⁽ⁱⁱ⁾	Energy Supply	Belgium	50
---------------------	---------------	---------	----

(i) Principal undertakings directly held by the Company

(ii) Principal undertakings indirectly 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.

12 Debtors

	2005		2004	
	Within one year	After one year	Within one year	After one year
	£000	£000	£000	£000
Amounts owed by group undertakings	911,332	-	970,107	8,423
Taxation	1,167	-	909	-
Deferred corporation tax	-	-	-	6,933
Prepayments and accrued income	48,691	-	26,686	-
	<u>961,190</u>	<u>-</u>	<u>997,702</u>	<u>15,356</u>

13 Borrowings (amounts falling due within one year)

	2005 £000	2004 £000
Loan notes	<u>-</u>	<u>1,936</u>

Loan notes were in respect of the acquisition of Retriever Holdings Limited (dissolved 16 September 2003) of which only £nil (Loan Note A) is interest bearing (2004: £1,669,181). Interest was paid at the Royal Bank of Scotland plc's base rate. The balance of the Loan Notes (B&C) were non-interest bearing. The date of annual interest was 31 July. The Loan Notes were redeemed in full on 31 July 2005.

GB Gas Holdings Limited

Notes to the accounts for the year ended 31 December 2005 - continued

14 Other creditors (amounts falling due within one year)

	2005 £000	2004 £000
Bank overdraft	141	-
Amounts owed to group undertakings	3,645,658	3,159,341
Other creditors	19,105	20,245
Accruals and deferred income	19,808	15,030
Deferred and contingent consideration (i)	14,911	13,317
	3,699,623	3,207,933

(i) Deferred and contingent consideration comprises amounts payable in respect of Wainstones Power Limited £7,977,305 (2004: £7,471,305), Telco Holdings Limited £nil (2004: £2,975,542), Hawkeye Exploration Limited (now Centrica (Horne & Wren) Limited) £6,934,000 (2004: £2,600,000) and Dyno Holdings Limited £nil (2004: £270,000), for ordinary share capital in these companies.

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

Creditors (amounts falling due after more than one year) comprise £nil (2004: £654,000) of Unsecured Loan Notes issued for the acquisition of British Gas Housing Services Limited (formerly 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 was April 2007, however, all of the loan notes had been redeemed by 14 June 2006.

16 Provisions for liabilities and charges

	1 January 2005 £000	Profit & Loss charge £000	Utilised in The year £000	31 December 2005 £000
Deferred Corporation Tax ⁽ⁱ⁾	2,334	(302)	-	2,032
Property costs ⁽ⁱⁱ⁾	25,609	15,895	(15,568)	25,936
One.tel disposal costs ⁽ⁱⁱⁱ⁾	-	25,004	-	25,004
AA disposal costs ^(iv)	2,122	8,949	(635)	10,436
Other provisions ^(v)	-	1,206	(356)	850
Total	30,065	50,752	(16,559)	64,258

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

	Amounts provided		Potential amounts unrecognised	
	2005 £000	2004 £000	2005 £000	2004 £000
Accelerated capital allowances	3,949	2,142	-	-
Other timing differences	(1,917)	(6,741)	-	-
	2,032	(4,599)	-	-
Deferred corporation tax liability	2,032	2,334		
Deferred corporation tax asset included in Debtors (Note 12)	-	(6,933)		
	2,032	(4,599)		

GB Gas Holdings Limited

Notes to the accounts for the year ended 31 December 2005 - continued

16 Provisions for liabilities and charges - continued

(ii) The provision relates to surplus properties, and was calculated as the lower of the difference between rental costs and sub-let income over the remainder of the leases and the expected cost to surrender those leases (see note 4). A provision of £18,125,000 was recognised in respect of a project resulting in the vacation of properties by British Gas Trading Limited, the profit and loss charge was subsequently recharged to this company.

(iii) The One.tel disposal costs comprise the following: £9,800,000 in respect of costs resulting from vacated properties under lease, £12,804,000 relating to the marginal costs British Gas Trading Limited are expected to incur in selling One.tel contract to their residential customers and £2,400,000 in respect of legal and professional fees.

(iv) The AA disposal provision outstanding relates to an adjustment to the sale price in respect of a taxation covenant.

(v) Other provisions relates to litigation costs. Any further detailed disclosure would be seriously prejudicial to the Company.

17 Called up share capital

	2005 £	2004 £
Authorised:		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Issued, allotted and fully paid:		
1,473,121 ordinary shares of £1 each	<u>1,473,121</u>	<u>1,473,121</u>

18 Reserves

	Share Premium Account £000	Profit & Loss Account (i) £000	Total £000
At 1 January 2005	1,567,891	986,353	2,554,244
Retained loss for the financial year	-	(47,131)	(47,131)
At 31 December 2005	<u>1,567,891</u>	<u>939,222</u>	<u>2,507,113</u>

(i) In March 2003 the Institute of Chartered Accountants in England and Wales issued Tech 7/03 'Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 1985'. As a result of the guidance, the Directors have determined that reserves of £817,629,000 are not currently available for distribution.

19 Movements in equity shareholders funds

	2005 £000	2004 £000
Equity shareholder funds as at 1 January	2,555,717	1,858,903
Issue of share capital	-	880,000
Retained loss for the financial year	<u>(47,131)</u>	<u>(183,186)</u>
Equity shareholder funds as at 31 December	<u>2,508,586</u>	<u>2,555,717</u>

GB Gas Holdings Limited

Notes to the accounts for the year ended 31 December 2005 – continued

20 Guarantees, commitments and contingencies

a) Operating lease commitments

As at 31 December 2005 the operating lease commitments of the Company for the following year were:

Expiring :	2005	2004
	£000	£000
Within one year	3,506	3,478
Between one and five years	2,865	1,626
After five years	23,378	22,437
	29,749	27,541

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

b) Guarantees

At 31 December 2005 the Company had provided guarantees up to a maximum of £198,956,889 (2004: £109,077,927) to various counter-parties in relation to the wholesale energy procurement activities of its subsidiaries.

21 Financial commitments

On 2nd December 2005 the Company entered into a put and call option arrangement with a bank over the bank's limited partnership interest in The Centrica Gas Production LP, a subsidiary of the Centrica group. Any exercise of the put or call option is contingent upon the occurrence of certain events up to 2 December 2012, and thereafter may occur at any time. In the event the put or call option is exercised the Company or its nominee is required to acquire the limited partnership interest from the bank for a price which changes depending on the quantum of partnership profits generated, distributions of partnership profits made and the level of interest rates in the period. The price at 31 December 2005 amounted to £637m.

22 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 www.centrica.com.

23 Events after the balance sheet date

With effect from 5th June 2006, the bank holding the put option relating to the bank's interest in The Centrica Gas Production LP, a subsidiary of the Centrica group, exercised the put option. Completion of the put option occurred on 11th August 2006. The Company nominated Centrica (Horne & Wren) Limited, a subsidiary of the Centrica group, to acquire the limited partnership interest from the bank and make payment of the Option Purchase Price amounting to £443m to the bank for acquiring the limited partnership interest.

On 11 April 2006 Centrica Holdings Limited acquired the 100% ordinary share ownership of the Company from Centrica plc. Centrica plc remains the ultimate parent undertaking.