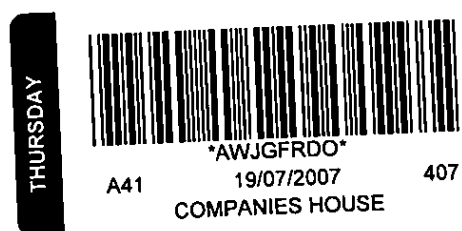


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British Gas Direct Employment Limited

Report and Financial Statements
For the year ended 31 December 2006

Registered No 4187128



BRITISH GAS DIRECT EMPLOYMENT LIMITED

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British Gas Direct Employment Limited

Directors' Report

The Directors present their report and the audited Financial Statements of British Gas Direct Employment Limited (the "Company") for the year ended 31 December 2006

Principal activities

The principal activity of the Company was the provision of direct sales force services for British Gas Trading Limited

Business review

The Company continued to provide direct sales force services to British Gas Trading Limited throughout 2006

Financial results and dividends

The results of the Company are set out on page 6

During the year the Company made a profit for the financial year of £2,153 000 (2005 £2,383 000)

No dividends were paid for the year ended 31 December 2006 (2005 £nil)

Principal risks and uncertainties and key performance indicators (KPI's)

The Directors do not consider that the Company has any significant financial risks. The Company has a single customer, British Gas Trading Limited and all payments to employees and suppliers are made from other Centrica Group bank accounts.

The Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of British Gas Direct Employment Limited.

Directors

o

The following served as Directors during the year

H J Turner

A C J Cameron (appointed 3 January 2006)

M L Turner (resigned 3 January 2006)

On 3 January 2006, A C J Cameron was appointed as a Director of the Company. On the same date M L Turner resigned as a Director of the Company.

At no time during the year ended 31 December 2006, did any Director have any interests 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.

British Gas Direct Employment Limited

Directors' Report (continued)

Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard No 8 'Related Party Disclosures' from disclosure of transactions with other Centrica group companies. There have been no other disclosable related party transactions during the year (2005 £nil)

Creditor payment policy

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

Political and charitable donations

The Company made no political or charitable donations during the year (2005 £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

Employment policies

During 2006, the Company employed an average of 1,530 people, all employed in the United Kingdom (2005 1,285)

The disclosures surrounding the 'Employee costs' and the 'Average number of employees during the year' (see note 4) relate to Centrica Group employees that work in the British Gas Direct Employment Limited business. Not all of these employees have service contracts with British Gas Direct Employment Limited, because in some cases the contracts of service are with other Centrica Group companies. The Directors believe that the disclosures given are the fairest representation of the staff costs for the business.

Employees are regularly updated on performance against the Company's strategy. There are regular employee surveys, action planning forums and dialogue with representatives of local employee consultative bodies and recognised trade unions to ensure a comprehensive understanding of employees' views. The Centrica Group, to which British Gas Direct Employment Limited belongs, encourages employee share ownership by operating tax authority-approved share schemes open to all eligible employees, including Executive Directors.

The Company is committed to pursuing equality and diversity in all its employment activities and continues to support initiatives to provide employment for people from minority groups in the community, including people with a disability, carers and lone parents. To the extent possible, people with a disability are offered the same employment training, career development and promotion opportunities as other employees.

The Company's business principles and policies set out standards of behaviour expected of its employees in conducting business in an ethical way.

British Gas Direct Employment Limited

Directors' Report (continued)

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 17 July 2007

Centrica Secretaries Limited
Company Secretary
17 July 2007

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

British Gas Direct Employment Limited

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 and of the profit or loss for that period

In preparing those Financial Statements the Directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and estimates that are reasonable and prudent,

state whether applicable 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

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and he has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

British Gas Direct Employment Limited

Independent Auditors' Report to the Shareholder of British Gas Direct Employment Limited

We have audited the Financial Statements of British Gas Direct Employment Limited for the year 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 profit for the year then ended,

the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and the information given in the Directors' Report is consistent with the Financial Statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham, B3 2DT

17 July 2007

British Gas Direct Employment Limited

Profit and Loss Account
Year ended 31 December

	Notes	2006 £'000	2005 £ 000
Turnover	2	46,060	44 360
Operating costs	3	(43,907)	(42,253)
Profit on activities before taxation		2,153	2,107
Taxation on profit on ordinary	5	-	276
Profit for the financial year	9	2,153	2,383

There are no differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

There have been no recognised gains or losses during the year other than those shown in the profit and loss account

All the activities relate to continuing operations

The notes on pages 8 to 11 form part of these Financial Statements

British Gas Direct Employment Limited

Balance Sheet
31 December

	Note	2006 £'000	2005 £ 000
Current assets			
Debtors (amounts falling due within one year)	6	11,309	10,442
Creditors (amounts falling due within one year)	7	(3,200)	(4 486)
Net current assets		<u>8,109</u>	<u>5 956</u>
Total assets less current liabilities		<u>8,109</u>	<u>5 956</u>
Net assets		<u>8,109</u>	<u>5,956</u>
Capital and reserves – equity interests			
Called up share capital	8	-	-
Profit and loss account	9	8,109	5,956
Total equity shareholder funds	10	<u>8,109</u>	<u>5,956</u>

The financial statements on pages 6 to 11 were approved and authorised for issue by the Board of Directors on 17 July 2007 and were signed on its behalf by



Director

The notes on pages 8 to 11 form part of these Financial Statements

British Gas Direct Employment Limited

Notes to the Financial Statements

1 Principal accounting policies

Accounting principles

The Financial Statements have been prepared under the historical cost convention in accordance with United Kingdom Accounting Standards and the Companies Act 1985

The following accounting policies have been applied consistently in relation to the Company's Financial Statements

Basis of preparation

The Company is a wholly owned subsidiary undertaking of GB Gas Holdings Limited which is a wholly owned subsidiary undertaking of Centrica plc. The Company has taken advantage of the exemptions within FRS 1, Cash Flow Statements, from presenting a cash flow statement, and within FRS 8, Related Party Disclosures, from disclosing transactions with other group companies that are 90% owned or greater.

Turnover

Turnover comprises income received from other Group companies for the supply of direct sales force staff. All turnover arose in the United Kingdom.

Pensions

Employees of the Company are eligible to join the Centrica "Flexible Choice" Pension Scheme, a defined contribution scheme. Defined contribution scheme pension costs are charged to the profit and loss account and represent the amount of contributions payable to the scheme in respect of the accounting period.

Taxation

Current tax, including UK corporation 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.

British Gas Direct Employment Limited

Notes to the Financial Statements (continued)

2 Turnover

	2006	2005
	£'000	£'000
Recharges to group undertakings	<u>46,060</u>	<u>44,360</u>

3 Operating Costs

The Company's operating costs, which have been charged to the profit and loss account comprise

	2006	2005
	£'000	£'000
Employee costs (note 4b)	42,369	41,340
Administration Expenses	<u>1,538</u>	<u>913</u>
	<u>43,907</u>	<u>42,253</u>

Auditor's remuneration of £5,000 was borne by British Gas Trading Limited, another group company, and was not recharged (2005 £5,000)

4 Directors and employees

a) Directors' emoluments

None of the Directors received emoluments in respect of their services to the Company during the year (2005 £nil)

b) Employee costs

	2006	2005
	£'000	£'000
Wages and salaries	37,985	37,259
Social security costs	4,023	3,753
Other pension and	<u>361</u>	<u>328</u>
	<u>42,369</u>	<u>41,340</u>

c) Average number of employees during the year

	2006	2005
	Number	Number
Sales Staff	<u>1,530</u>	<u>1,285</u>

d) Pensions

As at 31 December 2006 substantially all of the Company's employees were eligible to join the Centrica Flexible Choice Pension Scheme. This scheme is a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounts to £361,166 (2005 £328,354). The amount outstanding at the balance sheet date was £42,552 (2005 £67,307). The Centrica Flexible Choice scheme commenced in July 1999 and replaced a previous defined contribution scheme.

British Gas Direct Employment Limited

Notes to the Financial Statements (continued)

5 Tax on profit on ordinary activities

The tax charge comprises	2006 £'000	2005 £'000
Total Current Tax	-	-
Adjustments in respect of prior years *	-	(276)
Total tax on profit on ordinary	-	(276)

* The adjustment in respect of prior years relates to the effect of group relief

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

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	2,153	2,107
Tax on profit on ordinary activities at standard UK Corporation tax rate of 30% (2005 30%)	646	632
Effects of		
Group relief	(821)	(788)
UK-UK Transfer pricing adjustment	175	156
Adjustment to tax charge in respect of previous	-	(276)
Current tax charge for the year	-	(276)

There is no liability for deferred tax (either recognised or unrecognised) in either the current or prior year

6 Debtors (amounts falling due within one year)

	2006 £'000	2005 £'000
Amounts owed by group undertakings	11,277	10,408
Prepayments and accrued income	32	34
	11,309	10,442

The Amounts owed by group undertakings are unsecured, non-interest bearing and payable on demand

British Gas Direct Employment Limited

Notes to the Financial Statements (continued)

7 Creditors (amounts falling due within one year)

	2006	2005
	£'000	£'000
Other creditors	899	1,320
Accruals	2,301	3,166
	<u>3,200</u>	<u>4,486</u>

8 Called up share capital

	2006	2005
	£'000	£'000
Authorised		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
	£	£
Issued, allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

9 Reserves

	Profit and Loss
	£'000
1 January 2005	5,956
Profit for the financial year	2,153
31 December 2006	<u>8,109</u>

10 Movements in equity shareholder funds

	2006	2005
	£'000	£'000
1 January 2005	5,956	3,573
Profit for the financial year	2,153	2,383
31 December 2006	<u>8,109</u>	<u>5,956</u>

11 Ultimate parent company

GB Gas Holdings Limited is the immediate parent company. Centrica plc is the ultimate parent undertaking and the only group to consolidate the financial statements of the Company. Copies of the Annual Report of Centrica plc are available at www.centrica.com