

Registered number 4187128

**British Gas Direct Employment Limited**

Annual Report and Financial Statements  
For the Year Ended 31 December 2010

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**BRITISH GAS DIRECT EMPLOYMENT LIMITED**

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## **British Gas Direct Employment Limited**

### **Directors' Report for the year ended 31 December 2010**

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The Directors present their report and the audited financial statements of British Gas Direct Employment Limited (the "Company") for the year ended 31 December 2010

#### **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 2010. In respect of 2011 and beyond, there is no intention to change the provision of these services.

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 20 January 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

#### **Financial Risk Management**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Centrica plc group ('the Group') and are not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed on pages 30-36 of the 2010 Annual Report and Accounts of the Group which does not form part of this report.

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

#### **Results and dividends**

The results of the Company are set out on page 5.

The profit on ordinary activities after taxation for the for the year ended 31 December 2010 is £844,000 (2009: £1,080,000).

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2009: £Nil).

#### **Financial Position**

The financial position of the Company is presented in the balance sheet on page 6. Shareholder's funds at 31 December 2010 were £12,934,000 (2009: £12,090,000).

#### **Directors**

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

A C J Cameron

C T P Jansen

#### **Directors' and officers' liability insurance**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

## **British Gas Direct Employment Limited**

### **Directors' Report for the year ended 31 December 2010 (continued)**

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#### **Employment policies**

During 2010, the Company employed an average of 593 people, all employed in the United Kingdom (2009 669). 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 Company's business. 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 Group'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 the Company 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.

#### **Creditor payment policy**

It is the Company's policy to pay all of its creditors in accordance with the policies set out below:

- (i) agree the terms of payment in advance with the supplier,
- (ii) ensure that suppliers are aware of the terms of payment, and
- (iii) pay in accordance with contractual and other legal obligations.

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

**British Gas Direct Employment Limited**

**Directors' Report for the year ended 31 December 2010 (continued)**

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The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**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.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 5th September 2011



For and on behalf of Centrica Secretaries Limited  
**Company Secretary**

Company registered in England and Wales, number 4187128  
Registered office  
Millstream  
Maidenhead Road  
Windsor  
Berkshire SL4 5GD

## **British Gas Direct Employment Limited**

### **Independent Auditors' Report to the Members of British Gas Direct Employment Limited**

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We have audited the financial statements of British Gas Direct Employment Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Andrew Duxbury (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Thames Valley Office  
The Atrium,  
1 Harefield Road,  
Uxbridge UB8 1EX

**British Gas Direct Employment Limited**

**Profit and Loss Account for the year ended 31 December 2010**

	Notes	2010 £'000	2009 £'000
Turnover	2	17,731	22,691
Operating costs	3	(16,887)	(21,611)
<b>Profit on activities before taxation</b>		<b>844</b>	<b>1,080</b>
Taxation on profit on ordinary activities	5	-	-
<b>Profit for the financial year</b>	9	<b>844</b>	<b>1,080</b>

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 7 to 10 form part of these financial statements

**British Gas Direct Employment Limited**

**Balance Sheet at 31 December 2010**

	Notes	2010 £'000	2009 £'000
<b>Current assets</b>			
Debtors (amounts falling due within one year)	6	14,617	13,407
<b>Creditors (amounts falling due within one</b>	7	(1,683)	(1,317)
<b>Net current assets</b>		<u>12,934</u>	<u>12,090</u>
<b>Total assets less current liabilities</b>		<u>12,934</u>	<u>12,090</u>
<b>Net assets</b>		<u>12,934</u>	<u>12,090</u>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	12,934	12,090
<b>Total shareholder's funds</b>	10	<u>12,934</u>	<u>12,090</u>

The financial statements on pages 5 to 10 were approved and authorised for issue by the Board of Directors on and were signed on its behalf by



A C J Cameron  
**Director**

Registered number 4187128  
The notes on pages 7 to 10 form part of these Financial Statements



## British Gas Direct Employment Limited

### Notes to the Financial Statements

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#### 1. Principal accounting policies

##### Accounting principles

The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with United Kingdom Accounting Standards and the Companies Act 2006

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 wholly owned

##### 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.

#### 2 Turnover

	2010	2009
	£'000	£'000
Recharges to group undertakings	17,731	22,691

#### 3 Operating costs

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

	2010	2009
	£'000	£'000
Employee costs (note 4b)	16,433	21,450
Administrative expenses	454	161
	16,887	21,611

Auditors' remuneration of £4,124 (2009: £4,382) relates to fees for the audit of the UK GAAP statutory accounts of the Company and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of the Company. The auditors' remuneration is borne by Centrica plc.

## British Gas Direct Employment Limited

### Notes to the Financial Statements (continued)

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#### 4. Directors and employees

##### a) Directors' emoluments

None of the Directors received emoluments in respect of their services to the Company during the year (2009 £nil)

##### b) Employee costs

	2010	2009
	£'000	£'000
Wages and salaries	14,802	19,380
Social security costs	1,516	1,932
Other pension and retirement benefits costs	115	138
	<u>16,433</u>	<u>21,450</u>

##### c) Average number of employees during the year

	2010	2009
	Number	Number
Sales Staff	<u>593</u>	<u>669</u>

##### d) Pensions

As at 31 December 2010 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 £115,188 (2009 £138,325). The amount outstanding at the balance sheet date was £Nil (2009 £(330)). 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. Taxation on profit on ordinary activities**

	2010	2009
	£'000	£'000
(a) Analysis of tax charge in the period		
The tax charge comprises		
Current tax:		
United Kingdom corporation tax at 28%	-	-
Total current tax	-	-

**(b) Factors affecting the tax charge for the period**

The tax assessed for the year differs from that calculated at the standard rate of corporation tax in the UK (28%). The differences are explained below

	2010	2009
	£'000	£'000
Profit on ordinary activities before tax	844	1,080
Tax on profit on ordinary activities at standard corporation tax rate of 28% (2009 28%)	236	302
Effects of		
Group relief for nil consideration	(299)	(354)
UK UK transfer pricing adjustment	63	52
Tax charge for the period	-	-

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The main rate of corporation tax reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. An initial reduction of 1% to 27% effective from 1 April 2011 was enacted by Finance (No 2) Act 2010 and is therefore taken into account in these financial statements. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014, and the reduction to 25% from 1 April 2012 is expected to be enacted by Finance Act 2011. Beyond the reduction to 27%, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of these changes is nil as no deferred tax arises.

**6. Debtors (amounts falling due within one year)**

	2010	2009
	£'000	£'000
Amounts owed by group undertakings	14,601	13,391
Prepayments and accrued income	16	16
	14,617	13,407

The amounts owed by group undertakings are unsecured, non-interest bearing and payable on demand. £10,378k (2009 £10,421k) is due from Centrica plc and £4,223k (2009 £2,970k) is due from British Gas Trading Limited.

**7. Creditors (amounts falling due within one year)**

	2010	2009
	£'000	£'000
Tax and social security	553	563
Other creditors	1	33
Accruals	1,129	721
	1,683	1,317

# British Gas Direct Employment Limited

## Notes to the Financial Statements (continued)

### 8 Called up share capital

	2010 £'000	2009 £'000
<b>Authorised</b>		
Nil ordinary shares of £1 each (2009 100,000 ordinary shares of £1 each)	-	100
	<u>£</u>	<u>£</u>
<b>Issued, allotted and fully paid</b>		
2 ordinary shares of £1 each	2	2

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 20 January 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

### 9. Reserves

	£'000
1 January 2010	12,090
Profit for the financial year	844
<b>31 December 2010</b>	<b>12,934</b>

### 10. Movements in shareholder funds

	2010 £'000	2009 £'000
1 January	12,090	11,010
Profit for the financial year	844	1,080
<b>31 December</b>	<b>12,934</b>	<b>12,090</b>

### 11 Ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated statements. Copies of the 2010 Annual report and Accounts of Centrica may be obtained from [www.centrica.com](http://www.centrica.com).