

Registered number: 04187128

British Gas Direct Employment Limited

Annual Report and Financial Statements
For the Year Ended 31 December 2012



British Gas Direct Employment Limited

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British Gas Direct Employment Limited

Directors' Report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of British Gas Direct Employment Limited (the "Company") for the year ended 31 December 2012

Principal activities

The principal activity of the Company was the provision of direct sales force services for British Gas Trading Limited. As a result of a review of business operations British Gas exited doorstep energy sales from the 11 October 2011 and where possible the Company's employees were re-deployed to other sales activities including Sainsbury's Energy, Events and Appointment sales activities.

On 31 December 2012, as part of an internal reorganisation by the ultimate parent company, the trade and assets of British Gas Direct Employment Limited were transferred to another group company British Gas Trading Limited, in exchange for an intercompany receivable of £14,944,000. The trade of British Gas Direct Employment Limited will be taken on in British Gas Trading Limited from this date. Following the transfer, on the 31 December British Gas Direct Employment Limited declared and paid an interim dividend of £14,944,282 to British Gas Trading Limited. All remaining balances within the company have been converted to non interest bearing intercompany loans.

As the business activities of the Company have been transferred to British Gas Trading Limited it is envisaged that the Company will be classed as non-trading from now on.

Review of business and future outlook

It was announced on 11 October 2011 that doorstep energy sale activities would be discontinued, resulting in redundancies being announced in 2011 effective from 1 January 2012. As a result the Company has ceased employing all of its employees and has ceased trading during the financial period.

In utilising the redundancy provisions which included £6,884,000 established at 31 December 2011, there has been a net release of the provision of £331,000 which is presented as an exceptional item on the face of the income statement.

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 44-50 of the 2012 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 year ended 31 December 2012 is £ 965,000 (2011 £ 1,045,000).

The Directors paid an interim dividend during the year of £14,944,282 (2011 £nil). The Directors recommend that no final dividend be paid.

Financial Position

The financial position of the Company is presented in the balance sheet on page 6. Shareholder's funds at 31 December 2012 were £2 (2011 £13,979,000).

Key Performance Indicators

The Directors of the Group use a number of key performance indicators to monitor progress against the Group's strategy. The development, performance and position of the Group, which include the Company, are discussed on pages 18-19 of the 2012 Annual Report and Accounts of the Group which does not form part of this report.

British Gas Direct Employment Limited

Directors' Report for the year ended 31 December 2012 (continued)

Exceptional items

An exceptional credit of £331,000 (2011 charge £6,884,000) was received during the year. Refer to note 3 for further details.

Directors

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

C T P Jansen

M R Uzielli (appointed 28 May 2012)

A C J Cameron (resigned 28 May 2012)

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.

Employment policies

During 2012, the Company employed an average of 9 people, all employed in the United Kingdom (2011: 495). The disclosures surrounding the 'Employee Costs' and the 'Average number of employees during the year' (see note 6) 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.

Political and charitable donations

The Company made no political (2011: £nil) or charitable (2011: £nil) donation during the year.

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 prepared 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the 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 10 May 2013



For and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, number 04187128
Registered office
Millstream
Mardenhead Road
Windsor
Berkshire SL4 5GD

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

We have audited the financial statements of British Gas Direct Employment Limited for the year ended 31 December 2012 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 Statement of Directors' Responsibilities 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. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 2012 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.

Adam Beasant (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
9 Greyfriars Road
Reading, RG1 1JG
May 2013

British Gas Direct Employment Limited

Profit and Loss Account for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	(260)	21,940
Administrative expenses	4	(83)	(14,011)
Exceptional items	3	331	(6,884)
		248	(20,895)
Operating (loss) / profit		(12)	1,045
Profit on disposal of an operation	5	977	-
Profit on ordinary activities before taxation		965	1,045
Tax on profit on ordinary activities	8	-	-
Profit for the financial year	13	965	1,045

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

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

All amounts relate to discontinued operations

The notes on pages 7 to 11 form part of these financial statements

British Gas Direct Employment Limited

Balance Sheet as at 31 December 2012

	Notes	2012 £000	2011 £000
Current assets			
Debtors	9	-	21,722
Creditors - amounts falling due within one year	10	-	(859)
Net current assets		-	20,863
Total assets less current liabilities		-	20,863
Provisions for liabilities	11	-	(6,884)
Net assets		-	13,979
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	-	13,979
Total shareholders' funds	14	-	13,979

The financial statements on pages 5 to 11 were approved and authorised for issue by the Board of Directors on 10 May 2013 and were signed on its behalf by



M R Uzielli
Director

Registered number 4187128

The notes on pages 7 to 11 form part of these Financial Statements

British Gas Direct Employment Limited

Notes to the Financial Statements

1. Principal accounting policies

Accounting principles

These 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 British Gas Trading Limited, whose ultimate parent company is 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. Turnover is recognised in the same period in which services are provided to other Group companies by the Company's employees

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

Exceptional items

As permitted by FRS 3, Reporting Financial Performance, certain items are presented separately. The items that the Group presents separately as exceptional are those which are of a non-recurring nature and, in the judgment of the directors, need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, renegotiation of significant contracts and asset write-downs. Items which have been classed as exceptional in the year are disclosed in note 3

2. Turnover

	2012	2011
	£000	£000
(Refund) / Recharge to group undertakings	(260)	21,940

The current year refund situation relates to a refund of prior year's revenue in the current year. This has resulted from the reversal of prior year costs in the current year, refer to note 6 and 11

3. Exceptional items

	2012	2011
	£000	£000
Restructuring (credit) / cost	(331)	6,884

Restructuring costs were over provided in 2011 and released in the current year when the amounts were determined not necessary to be spent. Refer to note 11 for further detail on the restructuring

British Gas Direct Employment Limited

Notes to the financial statements (continued)

4. Administrative expenses

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

	2012	2011
	£000	£000
Employee costs (note 6b)	(21)	14,033
Administrative expenses	104	(22)
	<u>83</u>	<u>14,011</u>

Auditors' remuneration of £4,000 (2011 £4,124) 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.

5. Profit on disposal of an operation

On 31 December 2012 as part of an internal reorganisation by the ultimate parent company, the trade and assets of the Company were transferred to another group company, British Gas Trading Limited, for a fixed intercompany receivable of £14,944,000. The net assets of the Company on the date of transfer were £13,967,000. The difference of £977,000 is recognised as a profit on disposal.

6. Directors and employees

a) Directors' emoluments

The emoluments of three of the directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Centrica plc subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

b) Employee costs

	Notes	2012	2011
		£000	£000
Wages and salaries	1	(196)	12,638
Social security costs		166	1,290
Other pension and retirement benefits costs		9	105
		<u>(21)</u>	<u>14,033</u>

Additional employee costs were incurred as part of the restructuring programme and have been disclosed as exceptional items. Refer to notes 3 and 11 for further details.

i) Wages and salary costs of £115,000 and a credit relating to prior year unused commissions of £311,000. The commission costs accrued in 2011 were not needed due to the restructure so have been released in the current year.

c) Average monthly number of employees during the year

	2012	2011
	Number	Number
Sales Staff	<u>9</u>	<u>495</u>

As a result of the Company exiting doorstep sales, all the Company's employees have either been redeployed or made redundant during the year.

British Gas Direct Employment Limited

Notes to the financial statements (continued)

6 Directors and employees (continued)

d) Pensions

As at 31 December 2012 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 £8,899 (2011 £104,762). The amount outstanding at the balance sheet date was £nil (2011 £nil). The Centrica Flexible Choice scheme commenced in July 1999 and replaced a previous defined contribution scheme.

7 Dividends paid

	2012 £000	2011 £000
Dividends paid	14,944	-

The Directors paid an interim dividend during the year of £7,472,141 per shares totalling £14,944,282. No final dividend was proposed.

8. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year	2012 £000	2011 £000
The tax charge comprises		
Current tax:		
United Kingdom corporation tax at 24.5% (2011 26.5%)	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	56	-
Adjustments in respect of prior years	(56)	-
Total tax on profit on ordinary activities	-	-

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs from that calculated at the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below.

	2012 £000	2011 £000
Profit on ordinary activities before tax	965	1,045
Tax on profit on ordinary activities at standard UK corporation tax rate of 24.5% (2011 26.5%)	236	277
Effects of		
Group relief for nil consideration	(45)	(362)
UK UK transfer pricing adjustment	103	85
Income not taxable	(239)	-
Other timing differences	(55)	-
Tax charge for the year	-	-

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013, enacted under Finance Act 2012. Further reductions to the main rate were proposed in the Autumn Statement 2012 and the Budget Statement 2013 to respectively reduce the rate to 21% from 1 April 2014 and to 20% by 1 April 2015. Beyond a reduction to 23% from 1 April 2013, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of the proposed changes to the financial statements is nil since the company has no deferred tax balances.

British Gas Direct Employment Limited**Notes to the financial statements (continued)****9. Debtors**

	2012	2011
	£000	£000
Amounts owed by group undertakings	-	21,714
Prepayments and accrued income	-	8
	<u>-</u>	<u>21,722</u>

The amounts owed by group undertakings are unsecured, non-interest bearing and payable on demand £nil (2011 £974,447) is owed by Centrica plc and £2 (2011 £20,739,145) is due from British Gas Trading Limited

10. Creditors (amounts falling due within one year)

	2012	2011
	£000	£000
Tax and social security	-	274
Other creditors	-	-
Accruals	-	585
	<u>-</u>	<u>859</u>

11. Provisions for liabilities

	£000
As at 1 January 2012	6,884
Charged in year	1,316
Amounts unused or reversed in the year	(1,647)
Amounts utilised in the year	<u>(6,553)</u>
As at 31 December 2012	<u>-</u>

Restructuring costs

As a result of discontinuing doorstep energy sales from the 11 October 201, all employees not re-deployed were subject to redundancies

This provision for restructuring costs was utilised during the year, with the residual balance released resulting in a £nil balance at the end of the year

12. Called up share capital

	2012	2011
	£	£
Issued, allotted and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13. Reserves

	£000
1 January	13,979
Profit for the financial year	965
Dividend paid (note 7)	<u>(14,944)</u>
31 December	<u>-</u>

British Gas Direct Employment Limited

Notes to the financial statements (continued)

14. Reconciliation of movements in shareholder's funds

	2012 £000	2011 £000
1 January	13,979	12,934
Profit for the financial year	965	1,045
Dividend paid (note 7)	(14,944)	-
Net (decrease) / increase in shareholders' funds	(13,979)	1,045
31 December	-	13,979

15. Related parties

The Company has taken advantage of the exemption within the FRS 8, Related Party Disclosures, from disclosure of transactions with other Centrica Group companies. Except for any related party disclosure in the Centrica plc Annual Report and Accounts 2012, there have been no other disclosable related party transactions during the year (2011: £nil).

16. Ultimate parent undertaking

On 31 December 2012, as part of an internal reorganisation, British Gas Direct Employment Limited was purchased by British Gas Trading Limited, a company registered in England and Wales. The ultimate parent undertaking and the ultimate 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 2012 Annual Report and Accounts of Centrica plc may be obtained from www.centrica.com.