

CENTRICA US HOLDINGS LIMITED

Report and Financial Statements

For the 13 months ended

31 December 2001



REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS	Page
Directors' report	3
Statement of directors' responsibilities for preparing the financial statements	6
Auditors' report	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Centrica US Holdings Limited (the "Company") for the period 28 November 2000 to 31 December 2001.

Principal activities

The Company was incorporated in the United Kingdom on 28 November 2000. The principal activity of the Company is the provision of financing to Centrica Luxembourg Holdings Sarl.

Financial results and business review

The results of the Company are set out on page 8.

The Company recorded a profit on ordinary activities after tax of £127,000 for the period.

Dividends

The directors do not recommend the payment of a dividend for the period ended 31 December 2001.

Directors' interests

The following served as directors throughout the period:

RM Nominees Limited	appointed 28/11/2000	resigned 28/11/2000
P K Bentley	appointed 28/11/2000	
I G Dawson	appointed 28/11/2000	
R A Gardner	appointed 28/11/2000	

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

	As at 31/12/01	As at Date of Appointment
Interests in ordinary shares		
I G Dawson	33,621	37,003

Interests in the ordinary shares of Centrica plc include shares held under the terms of the Centrica plc profit sharing scheme.

DIRECTORS' REPORT (continued)

	As at 31/12/01	Granted	Exercised	As at Date of Appointment
Sharesave				
I G Dawson	4,781	-	-	4,781

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

Long Term Incentive Scheme

I G Dawson	742,561	91,485	-	651,076
------------	---------	--------	---	---------

Notional allocation of shares made on 1 October 2001 at a base price of 234.37 pence. Figures as at 31 December 2001 shown above include notional allocations of shares subject to performance conditions and for I G Dawson allocations of shares that have reached the conclusion of the relevant performance period but will not be transferred until the expiry of the retention period (a further 2 years).

	As at 31/12/01	Granted	Exercised	As at Date of Appointment
Executive Share Option Scheme				
I G Dawson	208,289	208,289	-	-

Options were granted on 31 May 2001 under the terms of the Executive Share Option Scheme at an option price of 240.05 pence. The options become exercisable to the extent that performance conditions are satisfied 3 years after the date of the grant and remain exercisable until the tenth anniversary of the grant.

The closing price of a Centrica plc ordinary share on the last trading day of 2001 (31 December) was 222 pence. The range during the period was 259.25 (high) and 199.75 (low).

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

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc.

Auditors

PricewaterhouseCoopers were appointed to act as auditors of the Company.

In accordance with the Companies Act 1985, the Company has passed an elective resolution to dispense with the need to hold Annual General Meetings, the laying of financial statements before members at general meeting and with the need to reappoint auditors annually.

DIRECTORS' REPORT (continued)

By order of the Board



For and on behalf of

Centrica Secretaries Limited

Company Secretary

26 September 2002

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire SL4 5GD

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

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

The directors consider that in preparing the financial statements on pages 8 to 13 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all accounting standards which they consider to be applicable have been followed.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CENTRICA US HOLDINGS LIMITED

We have audited the financial statements on pages 8 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

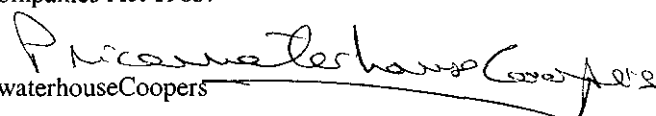
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

26 September 2002

PROFIT AND LOSS ACCOUNT
For the period ended 31 December 2001

	Notes	13 months ended 31 Dec 2001 £000
Interest receivable	4	<u>127</u>
Net interest		<u>127</u>
Profit on ordinary activities before taxation		<u>127</u>
Taxation on profit on ordinary activities	5	<u>-</u>
Profit on ordinary activities after taxation for the financial period		<u>127</u>
Transfer to reserves	9	<u><u>127</u></u>

There are no gains or losses in the period other than those recognised in the profit and loss account.

The notes on pages 10 to 13 form part of these financial statements.

BALANCE SHEET
As at 31 December 2001

	Notes	2001 £000
FIXED ASSETS		
Fixed asset investments	6	30,135
CREDITORS: amounts falling due within one year		
Other creditors	7	(8)
NET CURRENT LIABILITIES		(8)
TOTAL ASSETS LESS CURRENT LIABILITIES		30,127
NET ASSETS		30,127
CAPITAL AND RESERVES – EQUITY INTERESTS		
Called up share capital	8	30,000
Profit and loss account	9	127
SHAREHOLDERS' FUNDS	10	30,127

The financial statements were approved by the board of directors on 26 September 2002 and were signed on its behalf by:



P K Bentley
 Director

The notes on pages 10 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES**Accounting principles**

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

Exemptions

The Company 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.

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 the obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is 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 the 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.

2. DIRECTORS AND EMPLOYEES

No Directors received emoluments in respect of their services to the Company. There were no employees during the period.

3. COSTS

The remuneration of the auditors of the company for audit services was borne by Centrica plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. NET INTEREST

	13 months ended 31 Dec 2001 £000
Interest receivable from group companies	127
Net interest receivable	<u>127</u>

On 20 December 2000 the Company provided GB Gas Holdings Limited with a £15,000,000 interest bearing loan. Interest accrues on a daily basis on the amounts outstanding at Base Rate plus 1%.

On 5 January 2001 the Company provided GB Gas Holdings Limited with a second £15,000,000 interest bearing loan. Interest accrues on a daily basis on the amounts outstanding at Base Rate plus 1%.

On 19 January 2001 the Company recalled both loans including the interest as permitted under the loan agreements.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	13 months ended 31 Dec 2001 £000
Corporation tax at 30%	-
Deferred tax	-
- current year	-
Total tax on profit on ordinary activities	<u>-</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2001 £000
Profit on ordinary activities before tax	127
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	38
Effects of:	
Group relief	(38)
Current tax charge for the period	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. FIXED ASSET INVESTMENTS

	£000
As at 28 November 2000	-
Additions	30,135
	<hr/>
As at 31 December 2001	30,135
	<hr/>

On 19 January 2001 the Company was issued 476,994 Euro 100 shares in Centrica Luxembourg Holdings Sarl for a consideration of £30,126,575 with no goodwill arising. On the same day the Company purchased 125 Euro 100 shares in Centrica Luxembourg Holdings Sarl from GB Gas Holdings Limited for a consideration of £7,895 with no goodwill arising. As a result the Company owns 100% of Centrica Luxembourg Holdings Sarl.

7. OTHER CREDITORS

	2001 Within one year £000
Amounts falling due	
Amounts owed to group undertakings	8
	<hr/>
	8
	<hr/>

8. CALLED UP SHARE CAPITAL

	2001 £000
Authorised	
500,000,000 ordinary shares of £1 each	500,000
	<hr/>
Called up, allotted and fully paid	
30,000,002 ordinary shares of £1 each	30,000
	<hr/>

On 28 November 2000 two £1 ordinary subscriber shares were transferred to Centrica plc. On 20 December 2000 15,000,000 £1 ordinary shares were issued to Centrica plc. On 5 January 2001 a further 15,000,000 £1 ordinary shares were issued to Centrica plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. RECONCILIATION OF MOVEMENTS IN RESERVES

	Profit and loss £000
As at 28 November 2000	-
Profit for the financial period	127
	<hr/>
As at 31 December 2001	127
	<hr/> <hr/>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£000
Shareholders' funds as at 28 November 2000	-
Net proceeds of share issue	30,000
Profit on ordinary activities after taxation for the financial period	127
	<hr/>
Shareholders' funds as at 31 December 2001	30,127
	<hr/> <hr/>

11. POST BALANCE SHEET EVENTS

On 1 January 2002 Centrica plc provided the Company with a non-interest bearing US\$45,000,000 loan which is repayable on demand.

On the same day a second loan agreement was signed pursuant to which the Company provided Centrica plc with a non-interest bearing £32,000,000 loan repayable on demand.

12. ULTIMATE 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 may be obtained from the Company Secretary, Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.