BRITISH GAS TRADING LIMITED

Report and Financial Statements

For the Year Ended

31 December 2000

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COMPANIES HOUSE 02/10/01

Registered No : 3078711

REPORT AND FINANCIAL STATEMENTS 2000

CONTENTS

DIRECTORS' REPORT

The directors present their report and the audited financial statements of British Gas Trading Limited (the "Company") for the year ended 31 December 2000.

Principal activities

The principal activity of the Company was the provision of gas and electricity to homes and businesses in Great Britain. In September 2000 the Company launched its telecommunications business, providing fixed-line, mobile and internet telecommunications services.

Financial results and business review

The results of the Company are set out on page 7.

The Company recorded an operating loss on ordinary activities (before exceptional charges) of £37 million for the year (1999 £99 million profit). There was some considerable pressure on gas costs due primarily to a dramatic increase in the price of oil. The net effect of investment in establishing, building and launching the telecommunications business, including marketing and customer acquisition costs, was a loss of £49 million.

Dividends and transfers to reserves

An interim dividend of £1,000 million was paid during the year. The directors do not recommend the payment of a final dividend for the year ended 31 December 2000 (1999 £nil). In 2000 £21 million has been transferred to reserves (1999 £43 million).

Creditor payment policy

The Company aims to pay all of its creditors in accordance with the policies set out below. Special contractual terms apply for gas, electricity and telecommunications supplies. For all other trade creditors, it is the Company's policy to:

i) agree the terms of payment at the commencement of business with that supplier;

ii) ensure that suppliers are aware of the terms of payment; and

iii) pay in accordance with contractual and other legal obligations.

The number of days' purchases outstanding as at 31 December 2000 is calculated at 33 days (1999 31 days).

Employment policies

The Company is committed to pursuing an active Equal Opportunities policy covering recruitment and selection, training and development, appraisal and promotion. The Company recognises the diversity of its employees, its customers and the community at large and seeks to use employees' talents and abilities to the full. This approach extends to the fair treatment of people with disabilities, in relation to their recruitment, training and development. Full consideration is given to the retention of staff who become disabled during employment.

Employee communications

The Company is committed to effective communications, which it maintains through briefing sessions and company magazines. Formal communications with trade unions take place through regular meetings between representatives from the Company and trade unions. The Company has procedures for the timely and accurate communication of financial results and other significant business issues to its employees.

DIRECTORS' REPORT

Directors and their interests

The following served as directors during the year:

R A Gardner (Chairman)

M R Alexander

M S Clare

P K Bentley (appointed 20 November 2000)

At no time did any director holding office on 31 December 2000 have any interest in the shares or debentures of the Company or any other company or associated company of the Centrica plc group except for interests in shares and options over shares of the ultimate parent company, Centrica plc, details of which can be found in the 2000 Annual Report of Centrica plc.

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

Directors' and officers' liability

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

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors.

The Company has passed an elective resolution to dispense with the need to hold Annual General Meetings and the laying of accounts before them and with the need to reappoint auditors annually.

By order of the Board

Centrica Secretaries Limited

Company Secretary

27 June 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 to prepare financial statements for each year which 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 for the financial year.

The directors consider that in preparing the financial statements on pages 7 to 21 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 BRITISH GAS TRADING LIMITED

We have audited the financial statements of British Gas Trading Limited for the year ended 31 December 2000 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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.

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

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 within it.

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

27 June 2001

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover - continuing operations before acquisitions		6,577,681	5,748,346
- acquisitions		3,457	-
Turnover : Continuing operations	2	**6,581,138**	**5,748,346**
Cost of sales - continuing operations before acquisitions		(5,801,976)	(4,765,784)
- acquisitions		(2,257)	-
Continuing operations pre exceptional charges		(5,804,233)	(4,765,784)
Exceptional charges:			
- renegotiations of gas purchase contracts	7	-	(29,600)
Cost of sales including exceptional charges		(5,804,233)	(4,795,384)
Gross profit : Continuing operations		**776,905**	**952,962**
Administrative expenses			
- continuing operations before acquisitions		(812,611)	(883,620)
- acquisitions		(1,225)	-
Continuing operations pre exceptional charges		(813,836)	(883,620)
Exceptional charges:			
- Year 2000 costs	7	-	(5,937)
- restructuring costs	7	-	(17,923)
Administrative expenses including exceptional charges		(813,836)	(907,480)
Operating (loss)/profit - continuing operations before acquisitions		(36,906)	45,482
- acquisitions		(25)	-
Operating (loss)/profit : Continuing operations	3	**(36,931)**	**45,482**
Income from fixed asset investments	10	1,050,000	-
Net interest	5	8,253	(2,876)
Profit on ordinary activities before taxation		1,021,322	42,606
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation for the financial year		1,021,322	42,606
Dividends		(1,000,000)	-
Amount transferred to reserves	16	21,322	42,606

There are no recognised gains or losses for the financial year other than as stated above.

The notes on pages 9 to 21 form part of these financial statements.

BALANCE SHEET
As at 31 December 2000

	Note	2000 £000	1999 £000
FIXED ASSETS			
Intangible assets	8	6,164	4,674
Tangible assets	9	170,411	133,727
Investments	10	1,247,162	1,247,162
		1,423,737	1,385,563
CURRENT ASSETS			
Stocks	11	83,244	46,444
Debtors (amounts falling due within one year)	12	1,340,199	1,067,158
Debtors (amounts falling due after more than one year)	12	78,837	154,304
Cash at bank and in hand		7,324	7,814
		1,509,604	1,275,720
CREDITORS: amounts falling due within one year			
Obligations under finance leases	18	(704)	(407)
Bank overdraft		(5,139)	(2,512)
Other creditors	13	(1,318,344)	(1,069,590)
		(1,324,187)	(1,072,509)
NET CURRENT ASSETS		185,417	203,211
TOTAL ASSETS LESS CURRENT LIABILITIES		1,609,154	1,588,774
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases	18	(2,440)	(1,007)
Other creditors	13	(7,723)	(6,707)
		(10,163)	(7,714)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(302,196)	(305,587)
NET ASSETS		1,296,795	1,275,473
CAPITAL AND RESERVES			
Called up share capital	15	800,000	800,000
Share premium account	16	447,162	447,162
Profit and loss account	16	49,633	28,311
SHAREHOLDERS' FUNDS	17	1,296,795	1,275,473

The financial statements on pages 7 to 21 were approved by the Board of Directors on 27 June 2001 and were signed on its behalf by:

M R Alexander
Director

The notes on pages 9 to 21 form part of these financial statements.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Exemptions

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 Financial Reporting Standard 1 "Cash Flow Statements" from presenting a cash flow statement; within Financial Reporting Standard 2 "Accounting for Subsidiary Undertakings" from consolidating its subsidiary undertakings and incorporating the results of its share of joint ventures and associates; and within Financial Reporting Standard 8 "Related Party Disclosures" from disclosing transactions with other group companies.

Turnover

Turnover includes the value of energy supplied and reflects an assessment of supplies to customers between the date of the last meter reading and the period end (unread). Unread gas and electricity is estimated for each individual customer.

Long-term incentive schemes

The cost of potential share awards under the Centrica plc group long-term incentive schemes is charged to the profit and loss account over the period to which the performance criteria of each allocation relates.

Intangible fixed assets

Goodwill arising on the acquisition of a business is included in the balance sheet at cost, less accumulated amortisation. On the acquisition of a subsidiary undertaking, joint venture or associate, fair values are attributed to the assets and liabilities acquired. Goodwill, which represents the difference between the purchase consideration and the fair values of those net assets, is capitalised and amortised on a straight-line basis over a period which represents the directors' estimate of its useful economic life. Goodwill is currently being amortised over a 20 year period.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment. It is company policy to capitalise externally sourced software and related software development expenditure.

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 lives. The depreciation periods for the principal categories of assets are as follows:

Freehold and leasehold buildings	up to 50 years
Plant and machinery	5 to 20 years
Equipment and vehicles	5 to 6 years
Software and related development expenditure	5 years

Assets held under finance leases are depreciated over the shorter of the lease term or their useful economic life.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases are capitalised and included in tangible fixed assets at cost. The obligations relating to finance leases, net of finance charges in respect of future periods, are included within creditors. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect the constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to the profit and loss account as incurred.

Fixed asset investments

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

Stocks

Stocks are valued at the lower of cost or estimated net realisable value.

'Take or Pay' contracts

Where payments are made to external suppliers under 'Take or Pay' obligations for gas not taken, they are treated as prepayments and are included within debtors.

Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from employees' service. The difference between the charge to the profit and loss account and the contributions paid to the Pension Schemes is shown as a provision in the balance sheet. The regular pension cost, variations from the regular pension cost and interest are all charged within employee costs, and the straight-line method is applied for amortising surpluses and interest.

Long-term sales contracts

Provision is made for the net present cost, using a risk-free discount rate, of any expected losses on long-term sales contracts. The provision is based on the difference between the contracted sales price and the expected weighted average cost of gas.

Deferred tax

Deferred tax, in respect of accelerated capital allowances and other timing differences, including pension provisions, is provided only to the extent that it is probable that a liability or asset will crystallise.

2. SEGMENTAL ANALYSIS

Turnover relates mainly to the principal activity of the business and arose wholly in the United Kingdom, except for £95 million (1999 £76 million) related to exports outside of the United Kingdom.

Included within turnover was £1 million (1999 £nil) relating to telecommunications. This segment had an operating loss of £49 million (1999 £nil) and net assets of £3 million (1999 £nil).

3. OPERATING (LOSS)/PROFIT

	2000 £000	1999 £000
Operating (loss)/profit is stated after charging/(crediting) :		
Amortisation of goodwill	255	79
Depreciation:		
Owned assets	34,355	32,741
Leased assets	325	336
Impairment of tangible fixed assets	-	2,230
Operating lease rentals :		
Plant and machinery	10	126
Other	4,761	7,704
Euro preparation costs	116	770
Auditors' remuneration :		
Statutory audit	447	372
Other audit	30	180
Other	3,346	552

4. DIRECTORS AND EMPLOYEES

Directors' emoluments

Roy Gardner, Mark Clare and Phillip Bentley received no emoluments in respect of their services to the Company. The emoluments of Mike Alexander, as the highest and only paid director, are fully disclosed in the Centrica plc 2000 Annual Report and in aggregate were £407,000 (1999 £356,000).

Retirement benefits are accruing to the directors under a defined benefit pension scheme. The accrued pension of the highest paid director as at 31 December 2000 was £123,600 (1999 £99,900).

	2000 £000	1999 £000
Staff costs during the year (including directors)		
Wages and salaries	132,483	130,799
Social security costs	13,688	11,267
Other pension costs	16,021	14,270
Long Term Incentive Scheme	2,535	2,561
Employee Profit Sharing Scheme	3,583	3,160
Redundancy costs	3,307	435
Employee Sharesave Scheme	15,967	11,447
	187,584	173,939
Exceptional restructuring costs	-	17,923
	187,584	191,862

Average number of employees during the year

The average number of employees, all employed in the United Kingdom, during the year was 7,265 compared to 6,783 for 1999.

5. NET INTEREST

	2000 £000	1999 £000
Interest payable on bank loans and overdrafts	(631)	(6,259)
Interest payable to group companies	(16)	(3)
Finance lease charges	(93)	(16)
Notional interest arising on discounted items	(16,305)	(17,169)
Interest receivable	25,298	20,571
Net interest receivable/(payable)	8,253	(2,876)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The Company had underlying taxable profits in the current year (1999 Profit). These will be covered by losses brought forward from prior years and group relief surrendered by a group undertaking for no consideration.

7. EXCEPTIONAL CHARGES

Contract renegotiations

Over a number of years the Company renegotiated certain long-term Take or Pay' contracts which potentially would have resulted in commitments to pay for gas that would be excess to requirements and/or at prices above likely market rates. In 1999 £30 million was paid in respect of the exceptional charge booked in that year, with a further £33 million of payments relating to costs incurred in the previous year, which brought total payments in 1999 to £63 million. Further payments amounting to £30 million were paid during 2000 relating to charges booked in earlier years. Unpaid elements remaining amount to £122 million (after discounting adjustments), and are included within provisions (which all related to charges booked in 1997). The amount included in provisions represented the net present cost of the estimated payments due in periods between the years 2002 and 2008.

Year 2000 costs

During 1999 the Company incurred and paid £7 million on Year 2000 computer systems business-readiness preparations, of which £6 million represented bought-in services, which was treated as exceptional.

Restructuring costs

In 1999 the Company incurred restructuring costs of £18 million, largely comprising severance payments.

8. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At 1 January 2000	4,753
Transfer from/to British Gas LP Gas Limited	1,678
At 31 December 2000	6,431
Amortisation	
At 1 January 2000	(79)
Charge for the year	(255)
Transfer from/to British Gas LP Gas Limited	67
At 31 December 2000	(267)
Net book value	
At 31 December 2000	6,164
At 31 December 1999	4,674

British Gas LP Gas Limited acquired the residential and small commercial LPG gas cylinder business of Shell Gas Limited on 14 October 2000. The Company transferred tangible and intangible fixed assets with a fair value of £2,360,000 to British Gas LP Gas Limited to be used as part of the consideration to Shell Gas Limited. The goodwill and assets acquired by British Gas LP Gas Limited were subsequently transferred to British Gas Trading Limited. Goodwill arising is amortised over 20 years. The pre-acquisition results of Shell Gas Limited were not material.

The analysis of net assets transferred and the fair value to the Company was as follows:

	Book and fair value £000
Book value and fair value of assets acquired	
Fixed Assets	11,551
Net assets acquired	11,551
Goodwill Arising	2,794
Consideration:	
Cash	11,985
Non-cash consideration	2,360
	14,345

9. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and Machinery £000	Equipment and vehicles £000	Total £000
Cost				
At 1 January 2000	323	53,681	193,220	247,224
Additions	103	4,265	55,818	60,186
Transfer from/to group undertakings	36	10,629	216	10,881
Disposals	-	(61)	(15,225)	(15,286)
At 31 December 2000	462	68,514	234,029	303,005
Accumulated depreciation				
At 1 January 2000	(41)	(25,049)	(88,407)	(113,497)
Charge for the year	(57)	(2,870)	(31,753)	(34,680)
Transfer from/to group undertakings	(9)	372	(46)	317
Disposals	-	61	15,205	15,266
At 31 December 2000	(107)	(27,486)	(105,001)	(132,594)
Net book value				
At 31 December 2000	355	41,028	129,028	170,411
At 31 December 1999	282	28,632	104,813	133,727

Land and buildings are short leasehold.

The historical cost of assets held under finance leases as at 31 December 2000 was £4,599,020 (1999 £2,808,090). The associated accumulated depreciation was £1,498,628 (1999 £1,527,484). The assets held under finance leases are mainly motor vehicles.

10. FIXED ASSET INVESTMENTS

	Shares in subsidiary £000
Cost and net book value	
At 31 December 2000 and 31 December 1999	1,247,162

Interests in subsidiaries

As at 31 December 2000 the Company had the following interest in the issued share capital of the principal subsidiary undertaking listed below:

Subsidiary undertaking	Business	Country of incorporation	Proportion of nominal value of shares held
Hydrocarbon Resources Limited	Gas Production	United Kingdom	100%

Income from fixed asset investments

A dividend of £1,050 million (1999 £nil) was received from Hydrocarbon Resources Limited during the year.

11. STOCKS

	2000 £000	1999 £000
Gas in storage	74,215	46,374
Other raw materials and consumables	84	70
Finished goods and goods for resale	8,945	-
	83,244	46,444

12. DEBTORS

	2000 Within one year £000	2000 After more than one year £000	1999 Within one year £000	1999 After more than one year £000
Trade debtors	128,922	-	86,176	-
Accrued energy income	744,729	-	713,146	-
Amounts owed by group undertakings	287,825	35,780	77,885	39,292
Other debtors	94,422	40,639	66,898	3,776
Prepayments and accrued income	84,301	2,418	123,053	111,236
	1,340,199	78,837	1,067,158	154,304

13. CREDITORS

	2000 Within one year £000	2000 After more than one year £000	1999 Within one year £000	1999 After more than one year £000
Trade creditors	419,706	-	361,188	-
Amounts owed to group undertakings	290,336	-	122,616	-
Taxation and social security	2,711	-	2,505	-
Other creditors	247,277	-	254,369	16
Accruals and deferred income :				
Transportation	197,934	-	221,936	-
Other	160,380	7,723	106,976	6,691
	1,318,344	7,723	1,069,590	6,707

14. PROVISIONS FOR LIABILITIES AND CHARGES

	As at 1 Jan 2000 £000	Profit and loss charge £000	Notional interest £000	Utilised £000	As at 31 Dec 2000 £000
Sales contract loss and renegotiation provisions	262,405	-	16,305	(35,308)	243,402
Pension costs	21,123	9,710	-	-	30,833
Long Term Incentive Scheme	5,102	4,735	-	-	9,837
Employee Sharesave Scheme	11,447	15,967	-	(9,290)	18,124
Restructuring provisions	5,510	-	-	(5,510)	-
	305,587	30,412	16,305	(50,108)	302,196

Sales contract loss and renegotiation provisions

The sales contract loss provision represents the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts, based on the difference between the contracted sales price and the expected weighted average cost of gas. These contracts terminate between 2005 and 2006.

In previous years, the Company renegotiated certain long-term 'Take or Pay' contracts which would have resulted in commitments to pay for gas that would be excess to requirements and/or at prices above likely market rates. The provision represents the net present cost of estimated payments due to suppliers as consideration for the renegotiations, and are due for settlement in periods between years 2002 and 2008.

Pension costs

The pension provision represents the difference between charges to the profit and loss account and the contributions paid to the Pension Schemes in respect of retirement pensions and other related benefits.

Employee Sharesave Scheme

The qualifying employee share scheme provision represents the difference between the market price (as at 31 December 2000) and the option price of shares being purchased by employees through the Centrica plc Sharesave Scheme.

Deferred corporation tax

The following potential deferred tax (assets) /liabilities exist but have not been recognised in the accounts:

	2000 £000	1999 £000
Accelerated capital allowances	(65,182)	(52,235)
Other timing differences, including losses carried forward	(169,712)	(228,095)
	(234,894)	(280,330)

15. CALLED UP SHARE CAPITAL

	2000 £000	1999 £000
Authorised		
1,800,000,100 ordinary shares of £1 each	1,800,000	1,800,000
Called up, allotted and fully paid		
800,000,100 ordinary shares of £1 each	800,000	800,000

16. RECONCILIATION OF MOVEMENTS IN RESERVES

	Share premium £000	Profit and loss £000
Balance at 1 January 2000	447,162	28,311
Profit for the financial year	-	21,322
Balance at 31 December 2000	447,162	49,633

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £000	1999 £000
Opening shareholders' funds	1,275,473	1,232,867
Profit on ordinary activities after taxation for the financial year	1,021,322	42,606
Dividends	(1,000,000)	-
Closing shareholders' funds	1,296,795	1,275,473

18. COMMITMENTS AND CONTINGENCIES

	2000 £000	1999 £000
a) Capital commitments		
Contracted for but not provided	2,729	500

	2000 £000	1999 £000
b) Lease commitments		
Finance lease obligations are repayable as follows:		
Within 1 year	704	407
Within 1 to 2 years	544	302
Within 2 to 5 years	1,538	705
After 5 years	358	-
	3,144	1,414

18. COMMITMENTS AND CONTINGENCIES (continued)

There were no finance leases entered into, but commencing after 31 December 2000 (1999 £nil).

	2000 £000	1999 £000
Operating leases which expire:		
Within 1 to 5 years	6,990	6,990
	6,990	6,990

There were no operating leases relating to land and buildings (1999 £nil).

c) Pensions

Substantially all of the Company's employees as at 31 December 2000 were members of either the Centrica Staff Pension Scheme (staff and management employees) or the Centrica Engineers Pension Scheme (engineers). These defined benefit schemes are funded to cover future pension liabilities in respect of service up to the balance sheet date. They are subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employers' contributions which, together with the specified contributions payable by the employees and proceeds from the Schemes' assets, are expected to be sufficient to fund the benefits payable under the Schemes.

The long-term assumptions applied to calculate the Company's pension costs are set out in the 2000 Annual Report of Centrica plc. The contributions payable by the Company are based upon its share of the pension cost across the Centrica group. The Company's pension cost in 2000 was £16,021,000 (1999 £14,270,000), £6,311,000 contributions paid to the Pension Schemes and £9,710,000 increase in the provision.

d) Guarantees and indemnities

Centrica plc has a £935 million bilateral credit facility (1999 £935 million). The Company has guaranteed, jointly and severally, to pay on demand any sum which Centrica plc does not pay in accordance with the facility agreement.

The Company is part of a group cross guarantee arrangement whereby it has guaranteed the overdrafts of certain other group undertakings. At 31 December 2000, the Company's exposure under this guarantee was £3 million (1999 £nil).

18. COMMITMENTS AND CONTINGENCIES (continued)

e) Gas purchase contracts

The Company is contracted to purchase 65 billion therms of gas (1999 78 billion therms) in Great Britain under long-term contracts at prices, mainly determined by various baskets of indices, which may exceed market prices from time to time. In the face of full competition in the market for gas, the Company's exposure has over a period of years been reduced by the renegotiation of lower volumes and/or prices under certain contracts and by entering into long-term sales contracts. Since January 1996 these actions, affecting 60 billion therms, have been achieved at a net present cost to the Company of £1,406 million. Whilst there remains uncertainty regarding future prices and market share, in the opinion of the directors, no general provision for onerous contract losses is required.

The total volume of gas to be taken under these long-term contracts depends upon a number of factors, including the actual reserves of gas that are eventually determined to be extractable on an economic basis. Based upon the minimum volume of gas that the Company is contracted to pay for in any year, the profile of the contract commitments, after taking account of the renegotiations referred to above (excluding purchases from Hydrocarbon Resources Limited), is estimated as follows:

	2000 million therms	1999 million therms
Within five years	37,400	42,400
After five years	27,900	35,700
	65,300	78,100

The directors do not consider it feasible to estimate the actual future cost of committed gas purchases as the Company's external weighted average cost of gas (WACOG) is subject to indexation. As a consequence of indexation, the Company's external WACOG for the three month period ended 31 December 2000 rose to 19.1 pence per therm. Applying this value would imply a Company financial commitment of approximately £12 billion (1999 £12 billion based on 15.6 pence per therm, being the external WACOG for that year).

The commitment profile is set out below:

	2000 £m	1999 £m
Within one year	1,900	1,600
Between one and five years	5,200	5,000
After five years	5,300	5,600
	12,400	12,200

f) Litigation

The Company has a number of outstanding disputes arising out of its normal activities, for which appropriate provisions have been made.

19. ULTIMATE PARENT COMPANY

Centrica plc is the ultimate parent undertaking and the only group to consolidate the accounts of the Company. Copies of the Annual Report of Centrica plc may be obtained from the Company Secretary, Centrica plc, Charter Court, 50 Windsor Road, Slough, Berkshire, SL1 2HA.