Centrica Storage Limited
Annual Report for the Year Ended 31 December 2006

Registered number: 3294124

Centrica Storage Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of Centrica Storage Limited (the "Company") for the year ended 31 December 2006

Principal activities

The principal activity of the Company is the storage of gas in the United Kingdom which, for the purposes of the Companies Act 1985, constitutes one class of business The Company operates the Rough storage facility, which is a partially depleted gas field in the United Kingdom

Review of business and future developments

The value of storage services during 2006 has benefited from higher market price differentials between winter and summer prices and increased levels of gas price volatility

In February 2006, Centrica Storage operations at Rough suffered a major interruption caused by a fire A pressure vessel on the Rough storage facility failed catastrophically causing a gas release, explosion and residual fire The crew were evacuated but two people were injured The Health and Safety Executive investigation concluded that this equipment failure could not have been foreseen and that the consequences of the failure were lessened by our substantial investment in the platform, its shutdown systems and incident response arrangements since acquisition in 2001 Our investment in new emergency shutdown systems and prompt management action mitigated the damage to ensure no loss of life Following a full assessment of the work needed to restore operations, the costs of the incident have resulted in an exceptional charge before taxation of £27 million Further detail on this exceptional item is included within note 4

Looking forward the Company's priorities remain the active management of Health, Safety, Environmental, Operational and Regulatory Risk, while seeking value-adding opportunities through investment in the Rough asset and the marketing of storage services

Results and Dividends

The retained profit for the year of £211 million has been transferred to reserves (2005 retained profit of £149 million transferred to reserves)

The Directors do not recommend the payment of a dividend (2005 £nil)

Directors

Directors in post during the year and up to the date of signing of this report were as follows

B D Walker
M J Garstang
I G Dawson

Directors' 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 Neither the indemnity nor insurance provide cover in the event that the director is proved to have acted fraudulently

Directors' report for the year ended 31 December 2006 (continued)

Related party transactions

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

Charitable and political donations

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

Employees

The Company had 193 employees at 31 December 2006 (2005 191), all of whom were based in the UK For employees of the Company there are well-established and effective arrangements through electronic mail and the Company's intranet and in-house publications, as well as videos and briefing meetings at each business location, for communication of the Company's results and significant business issues When necessary, consultation with employee and trade union representatives also takes place

The Company takes a positive approach to equality and diversity The Company achieves this by using appropriate recruitment and selection techniques, ensuring equality of employment opportunity and equal access to development opportunities

The Company is also committed to providing a work environment free from harassment and discrimination and remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development Every effort is made to find appropriate alternative jobs for those who are unable to continue in their existing job due to disability

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the Company have been highlighted below

Financial risk management

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

The Centrica Storage group of companies has a Financial Risk Committee which meets on a regular basis Please refer to Centrica group annual report and accounts pages 21-23

Liquidity Risk

Cash forecasts identifying the liquidity requirements of the Company are produced frequently and monitored by the Directors However, due to the timing of cash payments and cash receipts liquidity is not a major risk for the company

Directors' report for the year ended 31 December 2006 (continued)

Counterparty credit risk

The Directors' policy is to limit counterparty exposures by setting credit limits for each counterparty, where possible by reference to published credit ratings Exposures are measured in relation to the nature, market value and maturity of each contract or financial instrument Energy trading activities are undertaken with counterparties for whom specific credit limits are set All contracted and potential exposures are reported to the Financial Risk Management Committee

Policy on the payment of creditors

The Company aims to pay all of its creditors promptly For trade creditors, it is the Company's policy to

i) agree the terms of payment at the start 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 Company had 40 days' purchases outstanding as at 31 December 2006 (2005 41 days) based on the average daily amount invoiced by suppliers during the year

Commodity price risk

The key commodity price risk facing the Company is movement in gas prices The Company's policy is to minimise the exposure arising from the expected future gas requirement The Company aims to manage its risk by entering into forward gas purchase and sales contracts at fixed prices The Financial Risk Management Committee regularly monitors the extent of the Company's commodity price exposure

At 31 December 2006 the net fair value of energy derivatives was an asset of £2 4m, consisting of an asset of £4 7m and a liability of £2 3m Energy derivatives are not recognised at fair value in the financial statements

Key performance indicators (KPIs)

The directors consider that the most significant KPI for the business is the price obtained for Standard Bundled Units (SBUs) SBU prices obtained were

For the period ended 31 December	2006	2005	Movement %
Average SBU price (calendar year) (pence)	56 5	34 8	62

Directors' report for the year ended 31 December 2006 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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) The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

Each of the directors who held office at the date of approval of this Director's 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

Post Balance Sheet Events

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and have been enacted in the 2007 Finance Act or are expected to be enacted in the 2008 Finance Act The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The effect of the changes to be enacted in the Finance Act 2007 would be to reduce the deferred tax liability provided at 31 December 2006 by £9m and would increase profits for the year by the same amount This decrease in deferred tax is due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008

The other changes to be enacted would have no further effects on the deferred tax provided at 31 December 2006

Centrica Storage Limited

Directors' report for the year ended 31 December 2006 (continued)

Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually, and PricewaterhouseCoopers LLP will therefore continue in office

The Board approved this report on 29 October 2007

N S Baker

Company Secretary

Date 29 October 2007

Registered office
Venture House
42-54 London Road
Staines
Middlesex
TW18 4HF

Centrica Storage Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRICA STORAGE LIMITED

We have audited the financial statements of Centrica Storage Limited (the company) for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

29 October 2007

Profit and loss account
For the year ended 31 December 2006

	Notes	2006 £million	2005 £million
Turnover	2	**352**	224
Employee costs	5	**(15)**	(12)
Other operating costs	3	**(118)**	(86)
Operating costs		**(133)**	(98)
Exceptional item	4	**(27)**	-
Operating profit		**192**	126
Net interest receivable	7	**16**	8
Profit on ordinary activities before taxation		**208**	134
Taxation on ordinary activities	8	**3**	15
Retained profit	16	**211**	149

All amounts included in the profit and loss account are derived from continuing operations

There are no recognised gains and losses other than those reported in the profit and loss account Therefore, no separate statement of recognised gains and losses has been prepared

The notes on pages 9 to 20 form part of these financial statements

There is no difference between the retained profit for the year stated above and the historic cost equivalent

Balance sheet
As at 31 December

	Notes	2006 £million	2005 £million
Fixed assets			
Tangible assets	9	495	508
Investments	10	4	4
		499	512
Current assets			
Stocks	11	6	5
Debtors (amounts falling due within one year)	12	575	294
Cash at bank and in hand		1	-
		582	299
Creditors (amounts falling due within one year)	13	(104)	(42)
Net current assets		478	257
Total assets less current liabilities		977	769
Provisions for liabilities and charges – deferred tax	14	(134)	(137)
Net assets		**843**	**632**
Capital and reserves			
Called up share capital	15	463	463
Profit and loss account	16	380	169
Equity shareholder's funds	17	843	632

The notes on pages 9 to 20 form part of these financial statements

The financial statements on pages 7 to 20 were approved and authorised for issue by the Board of Directors on 2007 and were signed on its behalf by

29th October

Bruce Walker
Director

Notes to the financial statements

1 Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards

Exemptions

The Company has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard 1 (Revised 1996) "Cashflow Statements", and accordingly has not prepared a cashflow statement The Company has also taken advantage of the exemptions within Financial Reporting Standard 8 "Related Party Disclosures" from disclosure of transactions with other group companies as it is a wholly owned subsidiary of a company whose financial statements are publicly available and which include the results of the Company

The Company has taken advantage of the exemption available under S228 of the Companies Act 1985, and accordingly has not prepared consolidated financial statements for the year ended 31 December 2006

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment Depreciation is calculated so as to write-off the cost of tangible fixed assets, on a straight line basis over the expected useful economic lives of the assets concerned Estimated useful economic lives by category are

Storage facilities	Up to 24 years
Buildings	Up to 24 years
IT equipment (included in other)	3 years
Major overhauls and inspections	Up to 6 years
Other	Up to 24 years

Freehold land is not depreciated

Subsequent expenditure (such as major overhauls and inspections) which aims to maintain the tangible fixed asset to its previously assessed standard of performance is capitalised

Impairment losses or impairment write-backs of fixed assets are calculated as the difference between the carrying values of income generating units and the estimated value in use at the date the impairment or write back is recognised Value in use represents the net present value of expected future cashflows discounted on a pre-tax basis Impairment losses and the write back of fixed assets are recognised in the profit and loss account in the year in which they occur

Investments

Fixed asset investments are shown at cost less any provision for impairment

Stocks

Stocks are valued at the lower of weighted average cost and net realisable value

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Revenue recognition

Storage capacity revenues are recognised evenly over the contract period, whilst storage commodity revenues are recognised at the point of gas flowing into or out of the storage facilities Sales of gas are recognised in the period in which the gas is delivered

Current 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 by the balance sheet date

Deferred taxation

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 an 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 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 not recognised when fixed assets are re-valued unless by the balance sheet date there is a binding agreement to sell the re-valued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

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 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

Leases

Rentals under operating leases are charged to the profit and loss account as incurred

Pensions

The Company's employees participate in a number of the Group's defined benefit pension schemes The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore accounts for the schemes as if they were defined contribution schemes The charge to the profit and loss account is equal to the contributions payable to the schemes in the accounting period, which are based on pension costs across the Group as a whole

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Financial Instruments: Disclosure and Presentation

All financial assets and liabilities are presented gross on the face of the balance sheets unless the company has a legally enforceable right to net off the recognised amounts and it intends to settle on net basis

Share schemes

The Group has a number of employee share schemes, detailed in the Directors' Report – Corporate Responsibility on page 26 of the Centrica plc Annual Report and Accounts 2006 and in the Remuneration Report on pages 35 to 36 of the Centrica plc Annual Report and Accounts 2006 and in note 25 of the Centrica plc Annual Report and Accounts 2006, under which it makes equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non market-based vesting conditions) The fair value determined at the grant date is expensed on a straight line basis together with a corresponding increase in equity over the vesting period, based on the Group's estimate of the number of shares that will vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured using methods appropriate to each of the different schemes as follows

LTIS awards up to 2005	A Black-Scholes valuation augmented by a Monte Carlo simulation to predict the total shareholder return performance
LTIS 2006 EPS awards	Market value on the date of grant
LTIS 2006 TSR awards	A Monte Carlo simulation to predict the total shareholder return performance
Sharesave	Black-Scholes
ESOS	Black-Scholes using an adjusted option life assumption to reflect the possibility of early exercise
Share Award Scheme	Market value on the date of grant

Notes to the financial statements (continued)

2 Turnover

Turnover, which excludes value added tax and represents amounts receivable for sales of storage and gas, is as follows

	2006 £million	2005 £million
Storage	298	194
Gas sales	54	30
	352	224

3 Operating profit

(i) Operating profit is stated after charging

	2006 £million	2005 £million
Depreciation of tangible fixed assets	27	23
Profit on disposal of tangible fixed assets	-	1
Operating lease rentals – land and buildings	0 49	0 24
Operating lease rentals - other	0 04	0 04
Auditors' remuneration for		
- statutory audit services	0 05	0 08
- audit relating to regulatory reporting*	-	0 04

* Substantially in respect of the implementation of International Financial Reporting Standards (IFRS)

(ii) Other operating costs include direct costs of operating the storage facilities owned during the year

Notes to the financial statements (continued)

4 Exceptional item

	2006 £million	2005 £million
Exceptional item	27	-

Centrica Storage operations at Rough suffered a major interruption caused by a fire in February 2006 Our investment in new emergency shutdown systems and prompt management action mitigated the damage to ensure no loss of life Centrica Storage incurred costs as a result of expenditure needed to restore operations and as a consequence of making force majeure payments to customers under the terms of the CSL customer contact

The total cost incurred as a consequence of the Rough fire was £60 7 million Of this the cost attributable to making force majeure payments to customers was £19 4 million and has been recognised as an exceptional item in the profit and loss account for the year

Of the costs incurred as a result of expenditure needed to restore operations at Rough, £14 2 million has already been received from the company's insurers and £19 1 million is recoverable from the company's insurers via another company in the Centrica Group The balance of costs of £8 million have been borne directly by Centrica Storage Limited and recorded as an exceptional item in the profit and loss account for the year

5 Employee costs

Employee costs are as follows

	2006 £million	2005 £million
Wages and salaries	9	8
Social security costs	1	1
Pension costs (note 19)	3	2
Incentive pay Scheme	1	-
Bonuses	1	1
	15	12

Average number of employees during the year

	2006 Number	2005 Number
By Activity		
Offshore	71	74
Onshore	54	56
Support	68	52
	193	182

Notes to the financial statements (continued)

6 Directors' emoluments

	2006 £million	2005 £million
Fees and salaries	0 22	0 19
Pension scheme contributions	0 03	0 03
	0 25	0 22

During the year, only one director was paid directly by the Company as the other directors are paid by fellow group undertakings It is not possible to make an accurate apportionment of the other directors' emoluments and accordingly the profit and loss account includes no amounts for these individuals

The emoluments and pension contributions for the highest paid director during the year were respectively £216,542 and £32,953 (2005 £184,953 and £32,383)

One director accrued retirement benefits under defined benefit pension schemes during the year (2005 1)

3 Directors exercised share options in the shares of the ultimate parent company, Centrica plc in 2006 (2005 3)

7 Net interest receivable

	2006 £million	2005 £million
Interest receivable from group undertakings	16	8

8 Taxation on ordinary activities

	2006 £000	2005 £000
(a) Analysis of tax charge in the period		
The tax (credit)/charge comprises of		
Current tax		
UK corporation tax at 30% (2005 30%) based on profit/(loss) for the period	-	-
Adjustments in respect of prior years	-	(14)
Total current tax	-	(14)
Deferred tax (note 14)		
Origination and reversal of timing differences	(4)	(1)
Adjustments in respect of prior years	1	-
Total deferred tax	(3)	(1)
Tax on profit on ordinary activities	(3)	(15)

(b) Factors affecting the tax charge for the year

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

	2006 £million	2005 £million
Profit on ordinary activities before tax	208	134
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	62	40
Effects of:		
Expenses not deductible for tax purposes	-	-
Excess of capital allowances over depreciation	4	1
Utilisation of timing differences including losses	-	-
Group relief	(66)	(41)
Adjustment to tax charge in respect of prior years	-	(14)
Current taxation (credit) for the year	-	(14)

Deferred tax liabilities have not been discounted

Notes to the financial statements (continued)

9 Tangible fixed assets

	Freehold Land and Buildings £million	Gas Storage Plant and Facilities £million	Other £million	Major Overhauls and Inspections £million	Total £million
Cost					
As at 1 January 2006	9	1,054	6	4	1,073
Additions	-	11	3	-	14
As at 31 December 2006	9	1,065	9	4	1,087
Accumulated Depreciation					
As at 1 January 2006	(4)	(554)	(4)	(3)	(565)
Charges for the year	(1)	(24)	(2)	-	(27)
As at 31 December 2006	(5)	(578)	(6)	(3)	(592)
Net book value as at 31 December 2006	4	487	3	1	495
Net book value as at 31 December 2005	5	500	2	1	508

10 Investments

	2006 £million	2005 £million
Cost		
As at 1 January	4	4
Additions	-	-
Disposals	-	-
As at 31 December	4	4

Investments relate to the following subsidiary undertakings

Centrica Offshore UK Limited

Centrica Storage Limited owns 100% of the allotted ordinary share capital of Centrica Offshore UK Limited, which comprises of 4 5 million shares of nominal value of £1

Notes to the financial statements (continued)

11 Stocks

	2006 £million	2005 £million
Gas stocks	6	5
	6	5

12 Debtors (amounts falling due within one year)

	2006 £million	2005 £million
Amounts owed by group undertakings	541	271
Other debtors	1	2
Prepayments and accrued income	33	21
	575	294

Amounts owed by group undertakings include £520 million (2005 £263 million) of deposits with group treasury which are unsecured, have no fixed date of repayment, and bear interest at LIBOR

13 Creditors (amounts falling due within one year)

	2006 £million	2005 £million
Bank overdraft	2	-
Trade creditors	11	4
Amounts due to group undertakings	67	23
VAT	5	1
Other creditors	1	1
Accruals and deferred income	18	13
	104	42

Amounts due to group undertakings are non-interest bearing and repayable on demand

Notes to the financial statements (continued)

14 Provisions for liabilities and charges

	Deferred Taxation £million	Total £million
As at 1 January 2006	**137**	**137**
Profit and loss account	**(3)**	**(3)**
As at 31 December 2006	**134**	**134**

The provision for deferred taxation relates solely to amounts due after more than one year

Deferred taxation

The deferred taxation provision comprises

	2006 £million	2005 £million
Accelerated capital allowances	134	137

There are no un-provided amounts in 2006 and 2005

15 Called up share capital

	2006 million	2005 million
Authorised 500,000,000 Ordinary shares of £1 each	500	500
Allotted, called up and fully paid 463,256,732 Ordinary shares of £1 each	463	463

16 Reserves

	Profit & Loss Account £million
Balance as at 1 January 2006	**169**
Transfer to profit and loss reserve for the year	211
Other	-
Balance as at 31 December 2006	**380**

Notes to the financial statements (continued)

17 Reconciliation of movements in equity shareholder's funds

	2006 £million	2005 £million
Profit for the financial year	211	149
Shareholder's funds as at 1 January	632	483
Shareholder's funds as at 31 December	**843**	632

18 Commitments

Commitments for the following year under operating leases are as follows

	Land & Buildings £million	Other £million	31 Dec 2006 Total £million
Expiring			
Less than one year	0 3	0 02	0 32
Between two and five years	1 2	0 01	1 21
More than five years	1 3	-	1.30
	2 8	0 03	2 83

The Company had capital commitments of £2 1 million at 31 December 2006 (2005 £3 4 million)

19 Pensions

Centrica plc Group Pension Schemes

The majority of the Company's UK employees as at 31 December 2006 were members of two of the three main schemes in the Centrica plc group, the Centrica Pension Scheme and the Centrica Management Pension Scheme

These schemes are defined benefit schemes and their assets are held in separate trustee administered funds However, it is not possible on a reasonable and consistent basis to identify the Company's share of the underlying assets and liabilities within these schemes, and therefore, as allowed within FRS17, these schemes have been treated as defined contribution schemes The aggregate contributions to the schemes during the year were £2 9 million (2005 £1 5 million) The amount outstanding at the balance sheet date was £nil (2005 £nil) An actuarial valuation of the schemes at a group level on an FRS 17 basis is not performed However, the latest actuarial valuation of the schemes prepared in accordance with IAS 19 and disclosed in the IFRS consolidated financial statements of Centrica plc, show a total deficit of £296 million, £207 million net of deferred tax (2005 £820 million, £571 million net of deferred tax) Further details of these valuations can be found in the Annual Report and Accounts of Centrica plc for the year ended 31 December 2006

The liabilities under the pension schemes will be paid out over an extended period The Company is contributing to the pension fund on the basis of actuarial advice as to the amounts required to meet these liabilities in full This actuarial advice is based on funding valuations carried out at least triennially, the last of which was as at 31 March 2006

Notes to the financial statements (continued)

20 Events after balance sheet date

All post balance sheet events have been discussed in the directors' report

21 Ultimate parent company

Centrica plc, a company registered in England and Wales is the ultimate holding company and ultimate controlling party Centrica plc has a 100% interest in the equity share capital of Centrica Holdings Limited Centrica Holdings Limited in turn owns 100% of the issued share capital of G B Gas Holdings Limited G B Gas Holdings Limited owns 100% of the issued share capital of Centrica Storage Holdings Limited Centrica Storage Holdings Limited has a 100% interest in the equity share capital of Centrica Storage Limited and is the Company's immediate parent undertaking

Centrica plc is the parent company of the largest and smallest group for which consolidated financial statements are drawn up Copies of the ultimate parent company's consolidated financial statements can be obtained from Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD or www centrcia com