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BRITISH GAS TRADING LIMITED

Report and Financial Statements

For the Year Ended

31 December 1999

Registered No : 3078711

REPORT AND FINANCIAL STATEMENTS 1999

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 1999.

Principal activities

The principal activity of the Company was the provision of gas and electricity to homes and businesses in Great Britain.

Financial results and business review

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

The Company recorded an operating profit on ordinary activities (before exceptional charges) of £99 million for the year (1998 £137 million loss). Lower gas costs, a large part resulting from contract renegotiation in previous years, contributed to this improved performance.

The Company incurred exceptional charges of £53 million (before taxation) for the year (1998 £76 million) in respect of the renegotiation of gas purchase contracts, Year 2000 business-readiness costs and restructuring costs.

Dividends and transfers to reserves

The Directors do not recommend the payment of a dividend for the year ended 31 December 1999 (1998 £nil). In 1999 £43 million has been transferred to reserves (1998 £197 million transferred from reserves).

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 and electricity 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 1999 is calculated at 31 days (1998 42 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

At no time did any Director holding office on 31 December 1999 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 1999 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.

Year 2000 and euro costs

During 1999 £7 million (1998 £14 million) was expensed in ensuring systems were ready for Year 2000, of which £6 million (1998 £12 million) was treated as exceptional. The total costs incurred in relation to Year 2000 systems readiness over the last three years were £24 million. As a result no disruptions to operations or customer service were experienced.

Detailed impact analysis has identified areas that could require euro conversion and the required lead times for the amendment of key systems. Plans to enable us to amend our systems, in the event that a decision is made in favour of UK adoption of the euro, are being kept under review.

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

L E Caldwell

Company Secretary

21 June 2000

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 19 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF BRITISH GAS TRADING LIMITED

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual 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 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 at 31 December 1999 and of the 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 6NN

21 June 2000

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1999

	Note	1999 £000	1998 £000
Turnover : Continuing operations	2	5,748,346	6,327,072
Cost of sales – pre exceptional charges		(4,765,784)	(5,724,788)
Exceptional charges :			
- renegotiations of gas purchase contracts	7	(29,600)	(63,308)
Cost of sales including exceptional charges		(4,795,384)	(5,788,096)
Gross profit : Continuing operations		**952,962**	**538,976**
Administrative expenses - pre exceptional charges		(883,620)	(739,475)
Exceptional charges :			
- Year 2000 costs	7	(5,937)	(12,204)
- restructuring costs	7	(17,923)	-
Administrative expenses including exceptional charges		(907,480)	(751,679)
Operating profit/(loss) : Continuing operations	3	**45,482**	**(212,703)**
Net interest	5	(2,876)	16,120
Profit/(loss) on ordinary activities before taxation		42,606	(196,583)
Tax on profit/(loss) on ordinary activities	6	-	-
Profit/(loss) on ordinary activities after taxation for the Financial year	16	42,606	(196,583)

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

The notes on pages 9 to 19 form part of these financial statements.

BALANCE SHEET
As at 31 December 1999

	Note	1999 £000	1998 £000
FIXED ASSETS			
Intangible assets	8	4,674	-
Tangible assets	9	133,727	120,699
Investments	10	1,247,162	1,247,162
		1,385,563	1,367,861
CURRENT ASSETS			
Stocks	11	46,444	82,179
Debtors (amounts falling due within one year)	12	1,067,158	1,250,464
Debtors (amounts falling due after more than one year)	12	154,304	169,839
Cash at bank and in hand		7,814	1,930
		1,275,720	1,504,412
CREDITORS: amounts falling due within one year			
Obligations under finance leases	18	(407)	(100)
Bank overdraft		(2,512)	-
Other creditors	13	(1,069,590)	(1,348,414)
		(1,072,509)	(1,348,514)
NET CURRENT ASSETS		203,211	155,898
TOTAL ASSETS LESS CURRENT LIABILITIES		1,588,774	1,523,759
***CREDITORS:* amounts falling due after more than one year**			
Obligations under finance leases	18	(1,007)	(285)
Other creditors	13	(6,707)	(6,291)
		(7,714)	(6,576)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(305,587)	(284,316)
NET ASSETS		1,275,473	1,232,867
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	28,311	(14,295)
SHAREHOLDERS' FUNDS	17	1,275,473	1,232,867

The financial statements on pages 7 to 19 were approved by the Board of Directors on 21 June 2000 and were signed on its behalf by:

M R Alexander
Director

The notes on pages 9 to 19 form part of these financial statements.

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. The principal accounting policies adopted are described below.

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 value 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 land and 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.

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 to the principal activity of the business and arose wholly in the United Kingdom, except for £76 million (1998 £13 million) related to exports outside of the United Kingdom.

3. OPERATING PROFIT/(LOSS)

	1999 £000	1998 £000
Operating profit/(loss) is stated after charging/(crediting) :		
Amortisation of goodwill	79	-
Depreciation:		
Owned assets	32,741	22,851
Leased assets	336	587
Impairment of tangible fixed assets	2,230	-
Operating lease rentals :		
Plant and machinery	126	-
Other	7,704	10,403
Euro preparation costs	770	282
Auditors' remuneration :		
Statutory audit	372	344
Other audit	180	-
Other	552	1,712

4. DIRECTORS AND EMPLOYEES

Directors' emoluments

Roy Gardner and Mark Clare 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 1999 Annual Report and in aggregate were £356,000 (1998 £292,649).

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 1999 was £99,900 (1998 £83,700).

	1999 £000	1998 £000
Staff costs during the year (including directors)		
Wages and salaries	130,799	113,320
Social security costs	11,267	10,041
Other pension costs	14,270	11,868
Long Term Incentive Scheme	2,561	1,496
Employee Profit Sharing Scheme	3,160	3,075
Redundancy costs	435	888
Employee Sharesave Scheme	11,447	-
	173,939	140,688
Exceptional restructuring costs	17,923	-
	191,862	140,688

Average number of employees during the year

The average number of employees, all employed in the United Kingdom, during the year was 6,783 compared to 5,853 for 1998.

5. NET INTEREST

	1999 £000	1998 £000
Interest payable on bank loans and overdrafts	(6,259)	(561)
Interest payable to group companies	(3)	(306)
Finance lease charges	(16)	(168)
Notional interest arising on discounted items	(17,169)	(18,500)
Interest receivable	20,571	35,655
Net interest (payable)/receivable	(2,876)	16,120

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The Company had underlying taxable profits in the current year (1998 Loss). 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

The Company has 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 these renegotiations resulted in an exceptional charge of £30 million (1998 £63 million). During the year £30 million was paid in respect of the exceptional charge booked in 1999, with a further £33 million of payments relating to costs incurred in the previous year, bringing total payments in 1999 to £63 million (1998 £86 million). Unpaid elements amount to £20 million and were included in creditors due within one year and £135 million (after discounting adjustments) was included within provisions (which all related to 1997 charges). The amount included in provisions represents the net present value of the estimated payments due in periods between the years 2002 and 2008.

Year 2000 costs

The Company incurred and paid £7 million (1998 £14 million) on Year 2000 computer systems business-readiness preparations, of which £6 million (1998 £12 million) represented bought-in services, which have been treated as exceptional.

Restructuring costs

The Company incurred restructuring costs of £18 million, largely comprising severance payments.

8. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At 1 January 1999	-
Additions	4,753
At 31 December 1999	4,753
Amortisation	
At 1 January 1999	-
Charge for the year	(79)
At 31 December 1999	(79)
Net book value	
At 31 December 1999	4,674
At 31 December 1998	-

The Company acquired the business and assets of Totalgaz Limited on 11 August 1999. The analysis of net assets acquired and the fair value to the Company was as follows:

	Fair value and book value £000
Fair value and book value of assets acquired	
Fixed Assets	5,891
Stocks	117
Debtors	1,537
Creditors (amounts falling due within one year)	(1,048)
Net assets acquired	6,497
Goodwill Arising	4,753
Consideration:	
Cash	11,250

9. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and Machinery £000	Equipment and vehicles £000	Total £000
Cost				
At 1 January 1999	-	31,204	173,688	204,892
Transfer from group undertaking	204	12,875	3,937	17,016
Additions	119	10,726	37,538	48,383
Disposals	-	(1,124)	(21,943)	(23,067)
At 31 December 1999	323	53,681	193,220	247,224
Accumulated depreciation				
At 1 January 1999	-	(13,514)	(70,679)	(84,193)
Transfer from group undertaking	-	(10,357)	(3,062)	(13,419)
Charge for the year	(41)	(1,940)	(31,096)	(33,077)
Impairment	-	(80)	(2,150)	(2,230)
Disposals	-	842	18,580	19,422
At 31 December 1999	(41)	(25,049)	(88,407)	(113,497)
Net book value				
At 31 December 1999	282	28,632	104,813	133,727
At 31 December 1998	-	17,690	103,009	120,699

Land and buildings are short leasehold.

The historical cost of assets held under finance leases as at 31 December 1999 was £2,808,090 (1998 £1,742,040). The associated accumulated depreciation was £1,527,484 (1998 £1,198,836). The assets held under finance leases are mainly motor vehicles.

10. FIXED ASSET INVESTMENTS

	Shares in subsidiary £
Cost and net book value	
At 31 December 1999 and 31 December 1998	*1,247,162*

Interests in subsidiaries

As at 31 December 1999 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%

11. STOCKS

	1999 £000	1998 £000
Gas in storage	46,374	81,562
Other raw materials and consumables	70	581
Finished goods and goods for resale	-	36
	46,444	82,179

12. DEBTORS

	1999 Within one year £000	1999 After more than one year £000	1998 Within one year £000	1998 After more than one year £000
Trade debtors	86,176	-	182,992	-
Accrued energy income	713,146	-	623,155	-
Amounts owed by group undertakings	77,885	39,292	6,023	-
Other debtors	66,898	3,776	149,161	12,284
Prepayments and accrued income	123,053	111,236	289,133	157,555
	1,067,158	154,304	1,250,464	169,839

13. CREDITORS

	1999 Within one year £000	1999 After more than one year £000	1998 Within one year £000	1998 After more than one year £000
Trade creditors	361,188	-	385,162	-
Amounts owed to group undertakings	122,616	-	753,831	-
Taxation and social security	2,505	-	3,174	-
Other creditors	254,369	16	101,940	-
Accruals and deferred income :				
Transportation	221,936	-	-	-
Other	106,976	6,691	104,307	6,291
	1,069,590	6,707	1,348,414	6,291

14. *PROVISIONS FOR LIABILITIES AND CHARGES*

	As at 1 Jan 1999 £000	Profit and loss charge £000	Notional interest £000	Utilised £000	As at 31 Dec 1999 £000
Sales contract loss and renegotiation provisions	270,800	-	17,169	(25,564)	262,405
Pension costs	10,975	10,148	-	-	21,123
Long Term Incentive Scheme	2,541	2,561	-	-	5,102
Employee Sharesave Scheme	-	11,447	-	-	11,447
Restructuring provisions	-	17,923	-	(12,413)	5,510
	284,316	42,079	17,169	(37,977)	305,587

Sales contract loss and renegotiation provisions

Provision has been made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision has been based on the difference between the contracted sales price and the expected weighted average cost of gas. These contracts terminate in 2005 to 2009.

In addition, the Company has 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. Provision has been made for the net present cost of the estimated payments due to suppliers as consideration for the renegotiations due in periods between years 2002 and 2008.

Pension costs

The pension provision represents the difference between the charge 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 1999) and the option price of shares being purchased by employees through the Centrica plc Sharesave Scheme.

Restructuring costs

The provision represents costs relating to redundancy and is expected to be spent during 2000.

Deferred corporation tax

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

	1999 £000	1998 £000
Accelerated capital allowances	(52,235)	2,198
Other timing differences, including losses carried forward	(228,095)	(320,913)
	(280,330)	(318,715)

15. CALLED UP SHARE CAPITAL

	1999 £000	1998 £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 1999	447,162	(14,295)
Profit for the financial year	-	42,606
Balance at 31 December 1999	447,162	28,311

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	*1998* £000
Opening shareholders' funds	1,232,867	1,429,450
Profit/(loss) for the financial year	42,606	(196,583)
Closing shareholders' funds	1,275,473	1,232,867

18. COMMITMENTS AND CONTINGENCIES

	1999 £000	1998 £000
a) Capital commitments		
Contracted for but not provided	500	1,272

	1999 £000	1998 £000
b) Lease commitments		
Finance lease obligations are repayable as follows:		
Within 1 year	407	100
Within 1 to 2 years	302	95
Within 2 to 5 years	705	190
	1,414	385

There were no finance leases entered into, but commencing after 31 December 1999 (1998 £nil).

18. *COMMITMENTS AND CONTINGENCIES (continued)*

	1999 £000	1998 £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 (1998 £nil).

c) Pension commitments

Substantially all of the Company's employees as at 31 December 1999 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 for 1999 are set out in the 1999 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 1999 was £14,270,000 (1998 £11,868,000), £4,122,000 contributions paid to the Pension Schemes and £10,148,000 increase in the provision.

d) Guarantees and indemnities

Centrica plc has a £935 million bilateral credit facility. 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.

e) Gas purchase contracts

The Company is contracted to purchase 78 billion therms of gas (1998 97 billion therms) 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 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 Ltd), is estimated as follows:

18. COMMITMENTS AND CONTINGENCIES (continued)

	1999 million therms	1998 million therms
Within five years	42,400	48,800
After five years	35,700	48,300
	78,100	97,100

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. Applying the Company's external WACOG for the year ended 31 December 1999 of 15.6 pence per therm would imply a Company financial commitment of approximately £12 billion (1998 £16 billion based on 16 pence per therm). In 1998 the future cost estimate was based on the WACOG for the three month period ended 31 December 1998. This was because the full year WACOG was not representative due to the impact of contract negotiations which took effect from 1 October 1998.

The commitment profile is set out below:

	1999 £m	1998 £m
Within one year	1,600	1,900
Between one and five years	5,000	5,900
After five years	5,600	7,700
	12,200	15,500

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.

20. POST BALANCE SHEET EVENT

On 26 January 2000 the Company completed the renegotiation of a 'Take or Pay' gas purchase contract with Shell UK Limited. Under the agreement, prices will be reduced to market levels on around 1.5 billion therms of gas.