Company Registration No. 04226697

Onetel Telecommunications Limited (formerly known as Centrica Telecommunications Limited)

Directors' Report and Financial Statements

For the 11 months ended 30 November 2005

Onetel Telecommunications Limited

Directors' report and financial statements 2005

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Onetel Telecommunications Limited

Directors' report

The directors present their report and audited accounts of Onetel Telecommunications Limited (the "company" or "Onetel") for the 11 months ended 30 November 2005. Comparatives are for the year ended 31 December 2004.

Change of name

The company changed its name to Onetel Telecommunications Limited on 9 February 2006.

Principal activities

The company's principal activities during the period were the provision of telecommunications services to homes and businesses in the UK under the brand names British Gas Communications and Onetel and the provision of central services to other fellow subsidiary undertakings of Centrica plc. As part of a group reorganisation on 1 January 2005, the employees, and tangible fixed assets where applicable, of Telco Global Networks Limited, Telecom Facilities Management Limited, Telco Carrier Services Limited, Telco Global Limited and Telco Global Distribution Limited, which were all fellow subsidiary undertakings of Centrica plc at that date, were transferred to the company. In December 2005 Onetel Telecommunications Limited was bought by The Carphone Warehouse Group PLC, as part of its acquisition of certain subsidiaries of Centrica plc including Telco Global Limited.

Business review

Turnover reached £266.6 million (31 December 2004: £261.4 million) for this shortened 11 month accounting period. Of this, £246.3 million was for telephony revenue and was a direct result of an increase in monthly average revenue per user (ARPU) primarily driven from an increase in proportion of Wholesale Line Rental (WLR) customers who now form 28% of the active customer base. The other £20.3 million was for a new intra group services agreement where Telco Global Limited is recharged for central services now provided by employees that were transferred.

Operating profit for 2005 was £0.2 million; a significant improvement on the £8.4 million operating loss for the year ended 31 December 2004. This was in part due to the beneficial impact of cost reductions taken earlier in the year, coupled with receipt of a rebate from a supplier due to an Ofcom ruling on the pricing of carrier preselect connections.

This period saw a change in the strategy of previous years toward high levels of customer acquisition, in order to increase the customer base. This was enabled by the successful set-up of new acquisition channels, moving away from traditional telesales whilst increasing the mix of field sales agencies. An agreement was also entered into with British Gas to offer its energy customers a discounted telephony service; this channel proved to be very successful contributing over 900,000 customer additions, which represented over 30% of total residential sales in the period.

In September a decision was made by Centrica plc to sell Onetel, and in December 2005 Centrica Telecommunications Limited was purchased by The Carphone Warehouse Group PLC. It subsequently changed its name to Onetel Telecommunications Limited.

Financial results

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

The company recorded a loss after taxation of £391,000 for the period ended 30 November 2005 (31 December 2004: £9,166,000 loss).

Dividends

No dividends were paid or declared during the period ended 30 November 2005 (31 December 2004: £nil).

Onetel Telecommunications Limited

Directors' report (continued)

Directors

The directors who served throughout the period and subsequently were as follows:

I R S El-Mokadem	(Resigned 30 December 2005)
I G Dawson	(Resigned 30 December 2005)
R Leclercq	(Resigned 30 December 2005)
N Langstaff	(Appointed 30 December 2005)
T Morris	(Appointed 30 December 2005)
R Smelt	(Appointed 30 December 2005)
R Taylor	(Appointed 30 December 2005)

Secretary

Centrica Secretaries Limited	(Resigned 30 December 2005)
T Morris	(Appointed 30 December 2005)

Directors' interests

At no time during the period did any director have any interest in the shares of the company (31 December 2004: nil) or any other company within the Centrica plc group except for interests in shares and options over the shares of the ultimate parent company, Centrica plc.

The directors with interests in, and options over, the ordinary shares of Centrica plc at the period end were as follows:

Directors' interests in shares

(As defined by section 325 of the Companies Act 1985)

Beneficial interest in ordinary shares

	As at 30 November 2005	As at 31 December 2004
I R S El-Mokadem	62,579	59,587
R Leclercq	-	13,493
I G Dawson	320,606	-

The above figures include shares held under the terms of the Centrica Share Incentive Plan.

Centrica Sharesave Scheme

	As at 31 December 2004	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 November 2005
I R S El-Mokadem	6,332	-	-	-	6,332
R Leclercq	8,823	-	-	-	8,823
I G Dawson	15,336	-	-	-	15,336

Onetel Telecommunications Limited

Directors' report (continued)

Directors' interests (continued)

Long-term Incentive Scheme ("LTIS")

	As at 31 December 2004	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 November 2005
I R S El-Mokadem	213,461	68,226	73,088	10,365	198,234
R Leclercq	113,678	44,404	23,029	6,997	128,056
I G Dawson	262,301	111,524	-	-	373,825

Total allocations as at 30 November 2005 shown above include allocations of shares that are subject to performance conditions and allocation of shares that have reached the conclusion of the relevant three-year performance period but are subject to a two-year retention period.

A conditional allocation of shares was made under the terms of the scheme on 1 April 2005 at a price of 228.65 pence per share.

Centrica Executive Share Option Scheme

	As at 31 December 2004	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 November 2005
I R S El-Mokadem	398,612	142,138	-		540,750
R Leclercq	159,334	96,881	-		256,215
I G Dawson	1,096,036	297,397	-		1,393,433

Under the terms of the scheme a further grant of options was made on 1 April 2005 at an option price of 228.65 pence per share.

Options were granted under the terms of the Centrica plc Sharesave scheme and Executive Share Option scheme, and allocations made under the terms of the LTIS. Details of these schemes and the Share Incentive Plan can be found in the 2005 accounts of Centrica plc, copies of which can be obtained from the Secretarial Department of Centrica plc or from www.centrica.com.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2005 (30 November) was 230.00 pence. The range during the period was 264.75 pence (high) and 217.50 pence (low).

As at 30 November 2005, nil shares (31 December 2004: 6,400,000) were held by the trustee of the employee share trust under the LTIS rules. The directors are deemed to have a potential interest in those shares, being beneficiaries under the trust.

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

Creditor payment policy

The company aims to pay all of its creditors in accordance with the policies set out below:

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 company had 12 days purchases outstanding at 30 November 2005 (31 December 2004 – 19 days purchases) based on an average daily amount invoiced by suppliers during the period ended 30 November 2005.

Directors' report (continued)

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 would be given to the retention of staff who become disabled during employment, should this occur.

Employee communications

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

Political and charitable donations

The company continued to work with its charity partner, TreeHouse; an educational charity for children with severe autism. The objectives are to develop a national presence for TreeHouse producing incremental income generating ventures and creating opportunities for Onetel employees to learn new skills. Cause-related marketing initiatives are being developed to aid fundraising including the continuation of the directory enquiries service donation of 1p for every call made to our directory enquiries service, 118 111.

Charitable donations in the UK during the period amounted to £80,000 (31 December 2004: £101,800). In line with group policy, no donations were made for political purposes.

Directors' and officers' liability

Directors' and officers' liability insurance has been in place throughout the 11 months ended 30 November 2005 and for the period up to the date of this report. Following the sale of the company In December 2005 such insurance for the new directors has been purchased by The Carphone Warehouse Group PLC.

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.

This report was approved by the Board on 6 March 2007.

N Langstaff
Director

Onetel Telecommunications Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 of the company for the financial year.

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 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.

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.

Onetel Telecommunications Limited

Independent auditors' report to the members of Onetel Telecommunications Limited

We have audited the financial statements of Onetel Telecommunications Limited (the "company") for the 11months ended 30 November 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under 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 (United Kingdom Generally Accepted Accounting Practice).

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 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 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 30 November 2005 and of its loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

6 March 2007

Onetel Telecommunications Limited

Profit and loss account

	Notes	11 months ended 30 November 2005 £'000	(Restated) Year ended 31 December 2004 £'000
Turnover	3	266,553	261,400
Cost of sales		(131,179)	(135,170)
Gross profit		135,374	126,230
Administrative expenses			
- normal		(133,434)	(126,614)
- exceptional items	8	1,600	(4,391)
- goodwill amortisation		(3,334)	(3,637)
Administrative expenses		(135,168)	(134,642)
Operating profit/(loss) before goodwill amortisation and exceptional items		1,940	(384)
- exceptional items	8	1,600	(4,391)
- goodwill amortisation		(3,334)	(3,637)
Operating profit/(loss)		206	(8,412)
Loss on sale of fixed assets		(200)	(32)
Profit/(loss) on ordinary activities before interest		6	(8,444)
Net interest payable and similar charges	6	(272)	(722)
Loss on ordinary activities before taxation	4	(266)	(9,166)
Tax charge on loss on ordinary activities	7	(125)	-
Loss on ordinary activities after taxation for the financial period		(391)	(9,166)

All results arise from continuing activities.

There is no difference between the loss on ordinary activities before taxation and the retained loss for either period as stated above and their historical cost equivalent.

The notes on pages 10 to 30 form part of these financial statements.

Onetel Telecommunications Limited

Balance sheet

	Notes	As at 30 November 2005 £'000	(Restated) As at 31 December 2004 £'000
Fixed assets			
Intangible assets	9	38,491	41,825
Tangible assets	10	19,347	16,805
		57,838	58,630
Current assets			
Stock	11	278	213
Debtors	12	72,316	32,742
Cash at bank and in hand		4,409	572
		77,003	33,527
Creditors: amounts falling due within one year	13	(206,118)	(150,692)
Net current liabilities		(129,115)	(117,165)
Total assets less current liabilities		(71,277)	(58,535)
Creditors: amounts falling due after more than one year	14	-	(8,723)
Provisions for liabilities and charges	15	(375)	(4,442)
Net liabilities		(71,652)	(71,700)
Capital and reserves			
Called-up share capital	17	25,000	25,000
Profit and loss account	18	(96,652)	(96,700)
Total equity shareholder deficit	19	(71,652)	(71,700)

The financial statements were approved by the board of directors and signed on their behalf by:

N Langstaff
Director
6 March 2007

The notes on pages 10 to 30 form part of these financial statements.

Onetel Telecommunications Limited

Statement of total recognised gains and losses

	Notes	11 months ended 30 November 2005 £'000	(Restated) Year ended 31 December 2004 £'000
Net loss for the financial year		(391)	(9,166)
Total recognised gains and losses relating to the year		(391)	(9,166)
Prior year adjustment – adoption of FRS 17	2	(2,412)	
Prior year adjustment – adoption of FRS 20	2	1,781	
Total recognised gains and losses since last financial statements		(1,022)	

The notes on pages 10 to 30 form part of these financial statements.

Notes to the accounts

1. Accounting policies

Basis of preparation

The directors believe that the going concern basis is applicable for the preparation of the accounts as the directors have received confirmation from the parent company, The Carphone Warehouse Group PLC, of its intention to provide financial support to the company as required to enable it to meet its liabilities as they fall due.

Accounting principles

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention and the Companies Act 1985. The company has adopted FRS 20 "Share-based payment" in the period. The adoption of each of this standard represents a change in accounting policy, and accordingly the comparative figures have been restated where required. Details of the effect of the change in policy are given in note 2 and there is no material effect on either the current period or prior year results.

Exemptions

As at 30 November 2005 the company was a wholly owned subsidiary of GB Gas Holdings Limited, itself a wholly owned subsidiary of Centrica plc, and was included in the consolidated accounts of Centrica plc for the year ended 31 December 2005. Consequently, the company has taken advantage of the exemptions within FRS 1, Cash Flow Statements, from presenting a cash flow statement; and within FRS 8, Related Party Disclosures, from disclosing transactions with other Centrica plc group companies.

Turnover

For subscription based services including wholesale line rental, with recurring fees, turnover is recognised on a time basis over the period covered by each fee. For usage based services, turnover is recognised on the basis of services provided. For administrative services provided to other group undertakings, turnover is recognized on the basis of services provided during the period to that group undertaking.

Adjustments are made to defer the relevant portion of unearned amounts billed in advance or amounts unbilled for services provided at the end of each period.

Cost of sales

Cost of sales include line rental and carrier costs for delivery of customer calls to their final destination.

Notes to the accounts (continued)

1. Accounting policies (continued)

Employee Share Schemes

As a subsidiary of Centrica plc, the company participates in a number of the group's employee share schemes under which it makes equity-settled share based payments in Centrica plc shares to certain employees. These are detailed in the Annual Report and Accounts of Centrica plc.

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 to the profit and loss account on a straight line basis together with the 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 conditions. A corresponding amount is recorded as a credit to the profit and loss account reserve each period.

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

LTIS	A Black-Scholes valuation augmented by 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.

The company has taken advantage of the transitional provisions of FRS 20 "Share-based payment" in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002, that were unvested at 1 January 2005.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at closing rates of exchange. Exchange differences are taken to the profit and loss account.

Intangible fixed assets

Goodwill arising on the acquisition of a business is included in the balance sheet at cost, less accumulated amortisation and any provisions for impairment. On the acquisition of a subsidiary undertaking (including unincorporated businesses), 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 being amortised over a period of 15 years.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment. Externally sourced software and related software development expenditure is capitalised.

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:

Telecommunications equipment	5 to 7 years
Fixtures, fittings and computer equipment	5 years

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

Onetel Telecommunications Limited

Notes to the accounts (continued)

1. 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 lease 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 on a straight line basis over the lease term, even if the payments are not made on such a basis.

Stock

Stock is valued at the lower of cost and estimated net realisable value.

Pensions

The company's employees participated in a number of Centrica plc's defined benefit pension schemes for the current and prior period. 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 Centrica plc group as a whole.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in the obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

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 revalued unless by the balance sheet date there is a binding agreement to sell the revalued 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 the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Notes to the accounts (continued)

2. Change in accounting policy

The company has adopted the following standards with effect from 1 January 2005: FRS 17, Retirement Benefits, FRS 20, Share-based payment, and FRS 21 (IAS 10) Events after the balance sheet date.

The company previously accounted for retirement benefits to employees participating in Centrica plc's defined benefit schemes in accordance with SSAP 24. The charge to the profit and loss account comprised the cost of providing retirement pensions and other benefits, spread over the period benefiting the employees' service. The company previously recognised a provision or prepayment which represented the difference between charges to the profit and loss account and contributions paid to the Centrica plc defined benefit pension schemes. It is not possible on a reasonable and consistent basis to identify the company's share of the underlying assets and liabilities in the Centrica plc defined benefit schemes on a consistent and reasonable basis and therefore, as allowed under FRS 17, these schemes have been treated as if they were defined contribution schemes. Accordingly, under FRS 17, the company's charge to the profit and loss account is equal to the contributions payable to the schemes in the accounting period. The implementation of FRS 17 has resulted in a reduction to the company's previously reported net assets of £1,692,000 at 31 December 2004, and a reduction of £2,252,000 to the company's previously reported profits for the year then ended. In addition, a previously unrecognised deferred tax asset of £720,000 in relation to fixed assets has been written off. The overall impact of the adoption of FRS 17 is a reduction to the company's previously reported net assets of £2,412,000 including the write off of the previously recognised deferred tax asset.

The company previously accounted for share-based payments in accordance with UITF 38 and UITF 17 (revised 2003). These abstracts required the profit and loss charge to be determined as the intrinsic value of the share options and share awards granted and a provision to be recorded on the balance sheet as the costs of the share options and share awards were recognised in the profit and loss account. Such provisions were released after a three year period. Under FRS 20, equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis to the profit and loss account over the vesting period, based on the company's estimate of the number of instruments that will satisfy non-market vesting conditions, and an amount corresponding to the profit and loss account charge for the period is recorded as a credit to the profit and loss account reserve. The implementation of FRS 20 has resulted in an increase of the company's previously reported net assets of £1,781,000 at 31 December 2004, due to the reversal of provisions previously recorded, and an increase to the company's previously reported profits of £167,000 together with a debit to the profit and loss account reserve of £296,000 for the year then ended.

The adoption of FRS 21 has not had a material impact on the company's result or net assets.

Notes to the accounts (continued)

3. Segmental reporting

	11 months ended 30 November 2005 £'000	(Restated) Year ended 31 December 2004 £'000
Turnover by class of business:		
Telephony services	246,284	261,400
Intra group services	20,269	-
	266,553	261,400

Telephony turnover relates to the principal activity of the business and arose wholly in the United Kingdom.

Intra group turnover relates to a service charge for central services provided to Telco Global Limited, a fellow subsidiary undertaking of the Centrica plc group following a group reorganization where all employees and tangible fixed assets, if applicable, of Telco Global Limited, Telco Global Networks Limited, Telco Facilities Management Limited and Telco Carrier Services Limited were transferred to the company effective 1 January 2005.

4. Loss on ordinary activities before taxation

	11 months ended 30 November 2005 £'000	(Restated) Year ended 31 December 2004 £'000
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of goodwill	3,334	3,637
Depreciation:		
Owned assets	7,160	7,221
Leased assets	1,001	1,373
Operating lease rentals:		
Other	69	79
Auditors' remuneration:		
Audit services	83	86
Non-audit services	15	-
Rebates received from carrier	(1,957)	-
Exceptional items (see note 8)	(1,600)	4,391

Due to an Ofcom ruling, a supplier provided a rebate of £1,150,000 for 2004 charges and £807,000 for 2005 charges. The full amount has been recognised in the accounts for the 11 months ended 30 November 2005.

Onetel Telecommunications Limited

Notes to the accounts (continued)

5. Directors and employees

Emoluments of Directors

One director received emoluments from Centrica plc in respect of his services to the Centrica plc group including the company, details of which are shown in the Centrica plc Annual Report for 2005. Details of emoluments received from the company by the other two directors are as follows:

	11 months ended 30 November 2005 £'000	Year ended 31 December 2004 £'000
Aggregate emoluments	849	633

Of these two directors, the emoluments of the highest paid director, excluding pension contributions were £386,000 (31 December 2004: £363,000). Retirement benefits are accruing to the two directors under a defined benefit pension scheme. The accrued pension of the highest paid director as at 30 November 2005 was £44,000 (31 December 2004: £38,000). The accrued lump sum of the highest paid director as at 30 November 2005 was £35,000 (31 December 2004: £30,000). Company contributions paid to a defined contribution pension scheme in respect of the two directors was £81,000 (31 December 2004: £nil)

Employee information

	11 months ended 30 November 2005 £'000	(Restated) Year ended 31 December 2004 £'000
Staff costs during the period (including directors)		
Wages and salaries	28,380	31,440
Social security costs	3,030	3,219
Pension and retirement benefits costs (Note 20)	1,426	4,176
Employee share schemes (Note 15)	439	296
NI on employee share schemes (Note 15)	35	30
	33,310	39,161

The average monthly number of persons (including executive directors) employed by the company during the period was:

By activity	11 months ended 30 November 2005 Number	Year ended 31 December 2004 Number
Customer relationship and service delivery	668	945
Sales and marketing	210	159
Administration	102	124
	980	1,228

On 1 January 2005, all employees of Telco Global Networks Limited, Telecom Facilities Management Limited, Telco Carrier Services Limited and Telco Global Limited and their associated costs and benefits were transferred to Onetel Telecommunications Limited (formerly known as Centrica Telecommunications Limited).

Onetel Telecommunications Limited

Notes to the accounts (continued)

6. Interest payable and similar charges

	11 months ended 30 November 2005 £'000	Year ended 31 December 2004 £'000
Finance leases	272	722

7. Taxation on loss on ordinary activities

a) Analysis of tax charge in the period	11 months ended 30 November 2005 £'000	Year ended 31 December 2004 £'000
The tax charge/(credit) comprises:		
Current tax		
- United Kingdom corporation tax at 30% (2004: 30%) based on the profit for the period	-	-
Total current tax	-	-
Deferred tax		
- Origination and reversal of timing differences	125	-
Total deferred tax	125	-
Total tax on profit on ordinary activities	125	-

Notes to the accounts (continued)

7. Taxation on loss on ordinary activities (continued)

b) Factors affecting the tax charge for the period

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:

	11 months ended 30 November 2005 £'000	(Restated) Year ended 31 December 2004 £'000
Loss on ordinary activities before tax	(266)	(9,166)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (at 31 December 2004: 30%)	(80)	(2,750)
Effects of:		
Expenses not deductible for tax purposes	1,444	960
Utilisation of timing differences	(125)	-
Depreciation in excess of capital allowances	1,690	2,160
Unutilised tax losses brought forward	(1,219)	(2,024)
Group relief	-	1,654
UK-UK transfer pricing adjustments	(1,710)	-
Current tax charge for the period	-	-

8. Exceptional items

As at 31 December 2004 as a result of the decision to integrate the Onetel business with British Gas Communications and Telco Global businesses, a provision of £4.4m was made for reorganisation costs, the major part being redundancy costs. During 2005, £1.6m of pension benefit obligations included in this reorganisation provision was released back to the profit and loss account because this amount was borne by another Centrica plc subsidiary company.

9. Intangible fixed assets

	Goodwill £'000
Cost	
1 January 2005 and 30 November 2005	56,280
Amortisation	
1 January 2005	14,455
Charge for the period	3,334
30 November 2005	17,789
Net book value	
30 November 2005	38,491
31 December 2004	41,825

Notes to the accounts (continued)

10. Tangible fixed assets

	Telecommunications equipment £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
1 January 2005	18,652	16,511	35,163
Transfers from other group undertakings	9,783	2,685	12,468
Additions	1,073	3,997	5,070
Disposals	(49)	(514)	(563)
30 November 2005	29,459	22,679	52,138
Accumulated depreciation			
1 January 2005	10,583	7,775	18,358
Transfers from other group undertakings	4,968	1,645	6,613
Charge for the year	3,730	4,431	8,161
Disposals	(27)	(314)	(341)
30 November 2005	19,254	13,537	32,791
Net book value			
30 November 2005	10,205	9,142	19,347
31 December 2004	8,069	8,736	16,805

Included in the above fixed assets is office equipment held under finance leases with a net book value of £nil (31 December 2004: £1.0m), comprising mainly telecommunications equipment.

On 1 January 2005, all the tangible fixed assets held by Telco Global Limited, Telco Global Networks Limited and Telecom Facilities Management Limited were transferred to Onetel Telecommunications Limited (formerly known as Centrica Telecommunications Limited) for proceeds equivalent to their net book value at that date. The costs associated with such assets are included in central services charges to Telco Global Limited as described in note 3.

11. Stock

	As at 30 November 2005 £'000	As at 31 December 2004 £'000
Finished goods and goods for resale	278	213

There is no material difference between the book value of stock and their replacement cost.

Notes to the accounts (continued)

12. Debtors

	As at 30 November 2005 £'000	(Restated) As at 31 December 2004 £'000
Trade debtors	15,874	17,159
Amounts owed by group undertakings	33,968	1,300
Other debtors	5,060	2,157
Prepayments and accrued income	17,414	12,126
	72,316	32,742

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. The prior year comparative amount has been restated to include those balances which cannot be set-off against amounts owed to group undertakings.

13. Creditors: amounts falling due within one year

	As at 30 November 2005 £'000	(Restated) As at 31 December 2004 £'000
Trade creditors	7,758	8,812
Bank overdraft	3,194	-
Amounts owed to group undertakings	148,195	108,585
Finance leases (note 20)	495	4,189
Taxation and social security	793	917
Other creditors	1,925	5,139
Accruals and deferred income	43,758	23,050
	206,118	150,692

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The prior year comparative amount has been restated consistent with the restatement of amounts owed by group undertakings in note 12 above.

During the period, the company was party to a Centrica plc group banking arrangement with one of its banks whereby any liabilities to the bank of the company or any of the other Centrica plc group companies in the arrangement were guaranteed by the other Centrica plc group companies in the arrangement. The arrangement does not include any charge over the company's assets. The company was not required by the bank to exercise this guarantee during the period.

Onetel Telecommunications Limited

Notes to the accounts (continued)

14. Creditors: amounts falling due after more than one year

	As at 30 November 2005 £'000	As at 31 December 2004 £'000
Finance leases (note 20)	-	299
Amounts owed to group undertakings	-	8,424
	-	8,723

Amounts owed to group undertakings are unsecured and interest free.

15. Provisions for liabilities and charges

	(Restated) As at 1 January 2005 £'000	Utilisation of provision £'000	Charged/ (credited) to profit and loss £'000	As at 30 November 2005 £'000
Reorganisation	4,391	(2,022)	(2,080)	289
NI on share based payments	51	-	35	86
	4,442	(2,022)	(2,045)	375

Reorganisation

In the prior year as a result of the decision to integrate the Onetel business with BGC and Telco Global businesses, a provision of £4.4m was made for reorganisation costs.

Notes to the accounts (continued)

16. Share-based payments (continued)

ESOS (continued)

Details of the ESOS awards granted to employees of the company since 7 November 2002 were as follows:

	2005 Number	2005 Weighted average exercise price £	2004 Number	2004 Weighted average exercise price £
Outstanding at start of period	380,600	£1.94	228,512	£1.82
Granted	333,148	£2.29	152,088	£2.24
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at the end of the period	713,748	£2.01	380,600	£1.77
Exercisable at the end of the period	-	-	-	-

For options outstanding at the end of the period, the range of exercise prices and average remaining life was as follows:

2005 Range of exercise prices	2005 Weighted average exercise price	2005 Number of shares	2005 Average remaining contractual life Years	2004 Range of exercise prices	2004 Weighted average exercise price	2004 Number of shares	2004 Average remaining contractual life Years
£1.40 – £1.49	£1.47	228,512	7.3	£1.40 – £1.49	£1.47	228,512	8.3
£1.70 – £1.79				£1.70 – £1.79			
£2.20 – £2.29	£2.27	485,236	8.5	£2.20 – £2.29	£2.24	152,088	8.6
£2.40 – £2.49				£2.40 – £2.49			
£2.50 – £2.59				£2.50 – £2.59			
	£2.01	713,748	8.1		£1.77	380,600	8.4

For options exercised during the period the weighted average share price was £n/a (2004: £n/a).

The charge to the profit and loss account in the period in relation to ESOS awards held by employees of the company was £86,000 (2004: £50,000)

Notes to the accounts (continued)

16. Share-based payments

Centrica plc operates a number of employee share schemes including the Executive Share Option Scheme (ESOS), the Long Term Incentive Scheme (LTIS), Sharesave and the Share Incentive Plan (SIP). These are described in the Directors' Report on page 24 of the Centrica plc Annual Report and Accounts 2005, and in the Remuneration Report on pages 30 to 31 of the Centrica plc Annual Report and Accounts 2005. There were no other share-based payment transactions during the period.

ESOS

Under the ESOS the Board may grant options over shares in Centrica plc to employees of the group. Options are granted with a fixed exercise price equal to the market price of the shares at the date of grant. The contractual life of an option is ten years. Awards under the ESOS are generally reserved for employees at senior management level and above and 135 employees are currently eligible to participate. Options granted under the ESOS will become exercisable on the third anniversary of the date of grant, subject to the growth in earnings per share over that period exceeding RPI growth by more than 18 percentage points. The number of options becoming exercisable is reduced on a sliding scale if EPS growth exceeds RPI growth by between nine and 18 percentage points. Options granted up to March 2004 also permit retesting of EPS growth annually for a further two years. Exercise of options is subject to continued employment within the group. Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. Early exercise has been taken into account by estimating the expected life of the options. As allowed by FRS 20, only options granted since 7 November 2002 which were unvested at 1 January 2005 have been valued. The fair values of the ESOS awards granted since 7 November 2002 together with the number of options granted at each date and the related assumptions used in the fair value calculations are as follows:

Grant date	23 September 2005	1 April 2005	1 September 2004	18 March 2004	1 September 2003	24 March 2003
Share price at grant date	£2.46	£2.28	£2.46	£2.28	£1.80	£1.47
Exercise price	£2.51	£2.29	£2.45	£2.24	£1.78	£1.47
Number of options originally granted	291,235	8,339,818	195,795	8,815,399	635,599	13,319,276
Vesting period	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Expected volatility (i)	30%	30%	27%	27%	35%	35%
Contractual option life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Expected life	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs
Risk-free rate	4.80%	4.70%	5.00%	5.01%	4.45%	4.44%
Expected dividend yield	4.37%	4.37%	4.82%	4.82%	3.09%	3.09%
Expected forfeitures	25%	25%	25%	25%	25%	25%
Fair value per option	£0.50	£0.49	£0.47	£0.45	£0.51	£0.41

(i) The expected volatility is based on historical volatility over the last three years (except in the case of options granted in 2003, where historical volatility over the preceding three years was 43% and this was felt to be unrepresentative because it included
a significant period of exceptionally high volatility in 1999/2000. In this case the volatility was reassessed ignoring this period). The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the expected option life. A reconciliation of option movements is as follows:

Notes to the accounts (continued)

16. Share-based payments (continued)

ESOS (continued)

Details of the ESOS awards granted to employees of the company since 7 November 2002 were as follows:

	2005 Number	2005 Weighted average exercise price £	2004 Number	2004 Weighted average exercise price £
Outstanding at start of period	380,600	£1.94	228,512	£1.82
Granted	333,148	£2.29	152,088	£2.24
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at the end of the period	713,748	£2.01	380,600	£1.77
Exercisable at the end of the period	-	-	-	-

For options outstanding at the end of the period, the range of exercise prices and average remaining life was as follows:

2005 Range of exercise prices	2005 Weighted average exercise price	2005 Number of shares	2005 Average remaining contractual life Years	2004 Range of exercise prices	2004 Weighted average exercise price	2004 Number of shares	2004 Average remaining contractual life Years
£1.40 – £1.49	£1.47	228,512	7.3	£1.40 – £1.49	£1.47	228,512	8.3
£1.70 – £1.79				£1.70 – £1.79			
£2.20 – £2.29	£2.27	485,236	8.5	£2.20 – £2.29	£2.24	152,088	8.6
£2.40 – £2.49				£2.40 – £2.49			
£2.50 – £2.59				£2.50 – £2.59			
	£2.10	713,748	8.1		£1.99	380,600	8.4

For options exercised during the period the weighted average share price was £n/a (2004: £n/a).

The charge to the profit and loss account in the period in relation to ESOS awards held by employees of the company was £86,000 (2004: £50,000)

Notes to the accounts (continued)

16. Share-based payments (continued)

LTIS

Under the LTIS, allocations of shares in Centrica plc are made to employees of the group. Awards under the LTIS are generally reserved for employees at senior management level and above and 8 employees are currently eligible to participate. The number of shares that are to be released to participants is calculated subject to the company's total shareholder return (TSR) during the three years following the grant date, compared to the TSR of other shares in the FTSE 100 Index over the same period. The number of shares released is reduced on a sliding scale if Centrica's TSR is ranked between 50th and 25th. For allocations granted from October 2001 onwards shares are released to participants immediately following the end of the period in which TSR performance is assessed. For awards granted prior to that date allocations are subject to a further two years retention. Release of shares is subject to continued employment within the croup at the date of release. Allocations were valued using the Black-Scholes option pricing model. Performance conditions were included in the fair value calculations, through the use of a Monte Carlo simulation model. As allowed by FRS 20, only options granted since 7 November 2002, which were unvested at 1 January 2005, have been valued. The fair values of the LTIS awards granted since 7 November 2002 together with the number of options granted at each date and the related assumptions used in the fair value calculations are as follows:

Grant date	23 September 2005	1 April 2005	1 September 2004	1 April 2004	1 September 2003	1 April 2003
Share price at grant date	£2.46	£2.28	£2.46	£2.30	£1.80	£1.47
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil
Number of shares originally granted	456,421	8,408,130	310,460	9,765,341	665,696	13,573,547
Vesting period	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Expected volatility (i)	30%	30%	27%	27%	35%	35%
Contractual life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Risk-free rate	4.80%	4.68%	5.00%	5.04%	4.31%	3.88%
Expected dividend yield	4.37%	4.37%	4.82%	4.82%	3.09%	3.09%
Expected forfeitures	20%	20%	20%	20%	20%	20%
Average volatility of FTSE 100	30%	30%	30%	30%	30%	30%
Average cross-correlation of FTSE 100	(ii)	(ii)	30%	30%	30%	30%
Fair value per share allocated	£1.20	£1.03	£1.25	£1.17	£0.99	£0.89

(ii) T he expected volatility is based on historical volatility over the last three years (except in the case of options granted in 2003, where historical volatility over the preceding three years was 43% and this was felt to be unrepresentative because it included a significant period of exceptionally high volatility in 1999/2000. In this case the volatility was reassessed ignoring this period). The expected life is the contract life, which is a fixed-term of three years. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the expected option life. A reconciliation of movements in allocations is shown below:

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Notes to the accounts (continued)

16. Share-based payments (continued)

LTIS (continued)

Details of the LTIS awards granted to employees of the company since 7 November 2002 were as follows:

	2005	2004
	Number	Number
Outstanding at start of period	839,061	871,994
Granted	378,738	256,511
Released	(167,710)	(208,433)
Forfeited – performance related	(50,955)	(69,482)
Forfeited – non-performance related	(74,377)	(11,529)
Outstanding at the end of the period	924,757	839,061
Exercisable at the end of the period	-	-

(iii) From 2005, the cross-correlation of the FTSE 100 has been obtained from a model which calculates the correlation between Centrica's historical share price and each of the FTSE 100 over the period from March 2000.

For shares released during the period the weighted average share price was £2.35 (2004: £2.42).

The charge to the profit and loss account in the period in relation to LTIS awards held by employees of the company was £258,000 (2004: £169,000).

Notes to the accounts (continued)

16. Share-based payments (continued)

SHARESAVE

Under Sharesave the Board may grant options over shares in Centrica plc to UK-based employees of the group. Options are granted with a fixed exercise price equal to 80% of the average market price of the shares for the three days prior to invitation which is three to four weeks prior to the grant date. Employees pay a fixed amount from salary into a savings account each month, and may elect to save over three or five years. At the end of the savings period, employees have six months in which to exercise their options using the funds saved. If employees decide not to exercise their options, they may withdraw the funds saved, and the options expire. Exercise of options is subject to continued employment within the group. Options were valued using the Black-Scholes option pricing model. As allowed by FRS 20, only options granted since 7 November 2002, which were unvested at 1 January 2005, have been valued. The fair values of the Sharesave awards granted since 7 November 2002 together with the number of options granted at each date and the related assumptions used in the fair value calculations are as follows:

Grant date	**6 April 2005**	**6 April 2005**	**1 April 2004**	**1 April 2004**	**8 April 2003**	**8 April 2003**
Share price at grant date	£2.36	£2.36	£2.30	£2.30	£1.59	£1.59
Exercise price	£1.88	£1.88	£1.83	£1.83	£1.07	£1.07
Number of options originally granted	4,329,658	5,791,571	3,854,639	7,407,793	37,280,748	34,151,197
Vesting period	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs
Expected volatility (i)	30%	30%	27%	27%	35%	35%
Contractual option life	5.5 yrs	3.5 yrs	5.5 yrs	3.5 yrs	5.5 yrs	3.5 yrs
Expected life	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs
Risk-free rate	4.65%	4.64%	5.13%	5.04%	3.90%	3.90%
Expected dividend yield	4.37%	4.37%	4.82%	4.82%	3.09%	3.09%
Expected forfeitures	40%	25%	40%	25%	40%	25%
Fair value per option	£0.68	£0.64	£0.61	£0.58	£0.64	£0.60

(iv) The expected volatility is based on historical volatility over the last three years (except in the case of options granted in 2003, where historical volatility over the preceding three years was 43% and this was felt to be unrepresentative because it included a significant period of exceptionally high volatility in 1999/2000. In this case the volatility was reassessed ignoring this period). The expected life is the contract life, which is a fixed-term of three years. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the expected option life. A reconciliation of movements in allocations is as follows:

Onetel Telecommunications Limited

Notes to the accounts (continued)

16. Share-based payments (continued)

SHARESAVE (continued)

Details of the Sharesave awards granted to employees of the company since 7 November 2002 were as follows:

	2005		2004	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at start of period	795,206	£1.26	800,790	£1.19
Granted	223,345	£1.88	170,151	£1.83
Exercised	(65,557)	£1.39	(1,851)	£1.83
Lapsed	(294,470)	£1.38	(165,061)	£1.32
Transfers between group entities	-	-	(8,823)	£1.17
Expired	(854)	£1.78	-	-
Outstanding at the end of the period	657,670	£1.37	795,206	£1.20
Exercisable at the end of the period	-	-	-	-

For options outstanding at the end of the period, the range of exercise prices and the average remaining life was as follows:

2005				2004			
Range of exercise prices	Weighted average exercise price	Number of shares	Average remaining contractual life Years	Range of exercise prices	Weighted average exercise price	Number of shares	Average remaining contractual life Years
£1.00 – £1.09	£1.07	410,784	2.5	£1.00 – £1.09	£1.07	657,812	3.5
£1.70 – £1.79				£1.70 – £1.79			
£1.80 – £1.89	£1.86	246,886	3.3	£1.80 – £1.89	£1.83	137,394	3.5
£1.90 – £1.99				£1.90 – £1.99			
	£1.37	657,670	2.8		£1.20	795,206	3.5

For options exercised during the period the weighted average share price was £2.33 (2004: £2.35).

The charge to the profit and loss account in the period in relation to LTIS awards held by employees of the company was £95,000 (2004: £77,000)

Notes to the accounts (continued)

16. Share-based payments (continued)

SIP

Under SIP, employees in the UK may purchase 'partnership shares' through monthly salary deductions. The company then grants one 'matching share' for every two purchased, up to a maximum of 20 matching shares per employee per month. Both partnership shares and matching shares are held in a trust initially. Partnership shares may be withdrawn at any time, but matching shares are forfeited if the related partnership shares are withdrawn within three years from the original purchase date. Matching shares vest unconditionally for employees after being held for three years in the trust. Vesting of matching shares is also subject to continued employment within the group. Matching shares are valued at the market price at the grant date. The average fair value of these awards during the year was £2.36 (2004: £2.74). The number of shares held in trust at 31 December 2005 was Nil (2004: Nil) and the profit and loss account charge for the period was £Nil (2004: £Nil).

17. Called-up share capital

	As at 30 November 2005 £'000	As at 31 December 2004 £'000
Authorised		
50,000,000 Ordinary shares of £1 each	50,000	50,000
Called-up, allotted and fully paid		
25,000,000 Ordinary shares of £1 each	25,000	25,000

18. Profit and loss account

	£'000
At beginning of period as previously stated	(96,069)
Adoption of FRS 17	(2,412)
Adoption of FRS 20	1,781
Restated 1 January 2005	(96,700)
Loss for the financial period	(391)
Employee share options	439
30 November 2005	(96,652)

Onetel Telecommunications Limited

Notes to the accounts (continued)

19. Reconciliation of movements in shareholders' deficit

	As at 30 November 2005 £'000	As at 31 December 2004 £'000
At beginning of period as previously stated		(63,988)
Adoption of FRS 17		(160)
Adoption of FRS 20		1,318
At beginning of period as restated	(71,700)	(62,830)
Loss for the financial period	(391)	(9,166)
Employee share options	439	296
30 November 2005	(71,652)	(71,700)

20. Commitments and contingencies

a) Lease commitments

	Land and buildings		Other	
Annual commitments under non-cancellable operating leases as period end were as follows:	As at 30 November 2005 £'000	As at 31 December 2004 £'000	As at 30 November 2005 £'000	As at 31 December 2004 £'000
Operating leases expiring:				
Within one year	-	-	-	90
Within one and five years	-	-	146	127
	-	-	146	217

	As at 30 November 2005 £'000	As at 31 December 2004 £'000
Future minimum payments under finance leases are as follows:		
Within one year	495	4,189
Within two to five years	-	299
	495	4,488

Notes to the accounts (continued)

20. Commitments and contingencies (continued)

b) Pensions

The majority of the company's UK employees as at 30 November 2005 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 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 FRS 17, these schemes have been treated as if they were defined contribution schemes. The aggregate contributions to the schemes during the period ended 30 November 2005 were £1.2 million. The amount outstanding at the balance sheet date was £nil. The latest actuarial valuation of the schemes, updated for the purposes of FRS 17 show a total deficit at 31 December 2005 of £604 million (£421 million net of deferred tax). These pension schemes are included on a consolidated basis within the group accounts of Centrica plc as prepared under IFRS.

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 triennial funding valuations, the last of which was as at 31 March 2004.

The company also operates defined benefit contribution schemes for certain employees. The pension cost charge for the period was £0.2 million (31 December 2004: £0.2 million) of which £48,000 was payable at the end of the period (31 December 2004: £nil).

21. Ultimate parent company

As at 30 November 2005, Centrica plc was the company's ultimate parent undertaking and the only group company to consolidate the accounts of the company. Copies of the Annual Report of Centrica plc may be obtained from the Company Secretary, Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.

22. Post balance sheet events

In December 2005 the company was bought by The Carphone Warehouse Group PLC. All intercompany receivable and payable balances the company had outstanding with Centrica plc and its subsidiary undertakings were settled by The Carphone Warehouse Group PLC as part of the acquisition. All of the employee share awards (described in note 16 above) vested on sale of the company and the cost associated with this vesting will be included in the next set of financial statements. Existing pension obligations under the Centrica plc group defined benefit schemes for past service (described in note 20 above) were retained by Centrica plc under the terms of its sale of the company to The Carphone Warehouse Group PLC. Employees or the company can no longer make contributions relating to future service for the Centrica plc group defined benefit schemes.