OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Independent Auditors' Report to the Directors of Centrica plc and its Licensees

We have audited the accompanying statement (the 'Consolidated Segmental Statement' or 'CSS') of Centrica plc and its Licensees (as listed in footnote[i]) as at 31 December 2014 in accordance with the terms of our agreement dated 12 January 2015. The CSS has been prepared by the Directors of Centrica plc and its Licensees based on the requirements of Ofgem's Standard Condition 19A of the Gas and Electricity Supply Licences and Standard Condition 16B of the Electricity Generation Licences (together, the 'Licences') and the basis of preparation on pages 6 to 9.

Directors' responsibility

The Directors are responsible for the preparation of the CSS in accordance with the Licences and the basis of preparation on pages 6 to 9 and for maintaining the underlying accounting records and such internal control as the Directors determine is necessary to enable the preparation of the CSS that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the CSS based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the CSS is free from material misstatement. The materiality level that we used in planning and performing our audit is set at £30 million for each of the segments.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the CSS. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the CSS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the CSS in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the CSS.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached CSS of Centrica plc and its Licensees for the year ended 31 December 2014 is prepared, in all material respects, in accordance with:

(i) the requirements of Ofgem's Standard Condition 19A of the Gas and Electricity Supply Licences and Standard Condition 16B of the Electricity Generation Licences established by the Regulator Ofgem; and

(ii) the basis of preparation on pages 6 to 9.

Basis of accounting and restriction on distribution

Without modifying our opinion, we draw attention to pages 6 to 9 of the CSS, which describes the basis of preparation. The CSS is prepared in order for Centrica plc and its Licensees to meet the Licence requirements of the Regulator Ofgem rather than in accordance with a generally accepted accounting framework. The CSS should therefore be read in conjunction with both the Licences and the basis of preparation on pages 6 to 9. This basis of preparation is not the same as segmental reporting under IFRS and/or statutory reporting. As a result, the schedule may not be suitable for another purpose.

This report, including our conclusions, has been prepared solely for the Directors of Centrica plc and its Licensees in accordance with the agreement between us, to assist the Directors in reporting on the CSS to the Regulator Ofgem. We permit this report to be disclosed in the Financial Statements section of the Annual Report and Accounts of Centrica plc for the year ended 31 December 2014 and the website[ii] www.centrica.com/prelims2014, to enable the Directors to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the CSS. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Centrica plc and its Licensees for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
London

19 February 2015

(i) British Gas Trading Limited, Centrica Langage Limited, Centrica SHB Limited, Centrica Brigg Limited, Centrica Barry Limited, Centrica KPS Limited, Centrica RPS Limited, Centrica PB Limited and Centrica KL Limited.

(ii) The maintenance and integrity of the Centrica plc website is the responsibility of the Directors of Centrica plc; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the CSS since it was initially presented on the website.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

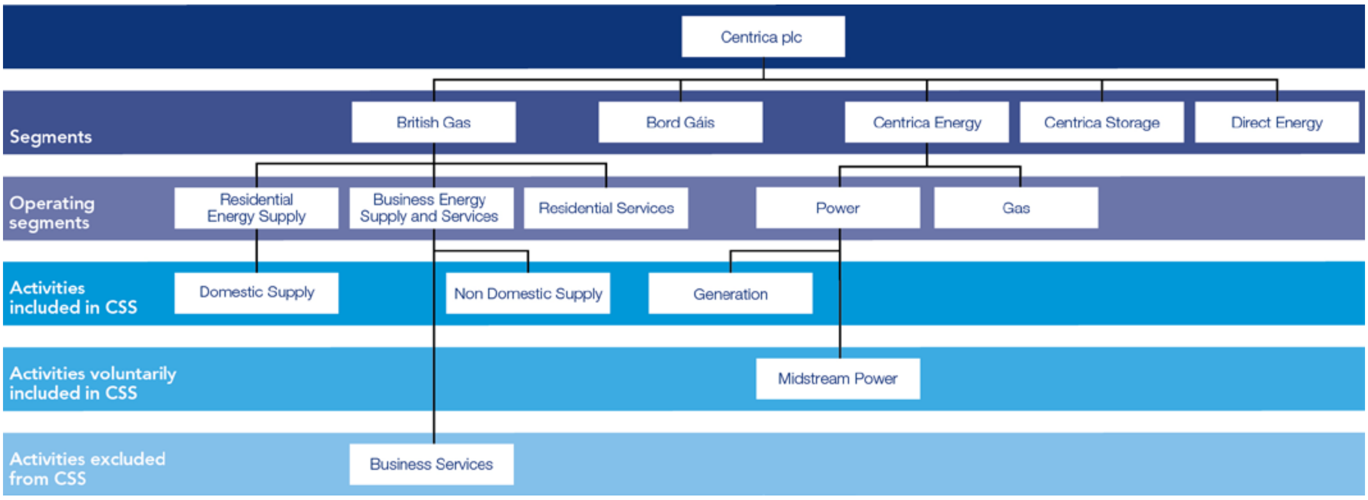
Introduction

The Ofgem Consolidated Segmental Statement (CSS) and required regulatory information on pages 2 to 11 are provided in order to comply with Standard Condition 16B of Electricity Generation Licences and Standard Condition 19A of the Electricity and Gas Supply Licences.

The CSS and supporting information are prepared by the Directors in accordance with the Segmental Statements Guidelines issued by Ofgem. The CSS has been derived from and reconciled to the consolidated Centrica plc Preliminary Results of the year ended 31 December 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS Regulation and the Companies Act 2006.

Centrica plc operational reporting structure

Below is a summary of the Centrica plc group's (Group) operational reporting structure. The CSS financial data has been extracted from the 2014 Centrica plc Preliminary Results operating segments rather than with reference to specific legal entities. Certain activities included in the Group's operating segments have been excluded from the Generation and Supply segments of the CSS on the basis they are non-licenced activities (eg Midstream Power and Business Services) as illustrated below. However, to aid transparency, the Midstream Power result has been voluntarily included in the CSS. The Centrica plc Preliminary Results of the year ended 31 December 2014 provides operating segment results for 'British Gas – Residential energy supply', 'British Gas – Business energy supply and services' and 'Centrica Energy – Power' in note 5. A full reconciliation between these results and those disclosed for 'Domestic Supply', 'Non-Domestic Supply' and 'Generation' in this CSS is provided at the end of the report.



Centrica plc is the ultimate parent company of all 100% owned licensees. The individual supply and generation licences are held in legal entities whose licenced activities are reported as part of the 2014 Centrica plc Preliminary Results within the operating segments shown above. The individual supply and generation licences held in subsidiaries, joint ventures or associates of Centrica plc during 2014 are detailed below:

Licensee	Licence	Ownership
British Gas Trading Limited	Supply	100%
Centrica Langage Limited	Generation	100%
Centrica SHB Limited	Generation	100%
Centrica Brigg Limited	Generation	100%
Centrica Barry Limited	Generation	100%
Centrica KPS Limited	Generation	100%
Centrica RPS Limited	Generation	100%
Centrica PB Limited	Generation	100%
Centrica KL Limited	Generation	100%
Lincs Wind Farm Limited	Generation	50% Joint Venture
Barrow Offshore Wind Limited (iv)	Exemption (i)	50% Joint Venture
Glens of Foudland Wind Farm Limited	Not required (ii)	50% Joint Venture
Lynn Wind Farm Limited	Exemption (i)	50% Joint Venture
Inner Dowsing Wind Farm Limited	Exemption (i)	50% Joint Venture
Rhiannon Wind Farm Limited (v)	Generation	50% Joint Venture
EDF Energy Nuclear Generation Limited	Generation (iii)	20% Associate

(i) Certain wind farms have received an exemption from the requirement to have a generation licence.
(ii) The capacity of Glens of Foudland is 26MW and therefore does not require a generation licence or an exemption from having a generation licence.
(iii) The Centrica plc Group holds a 20% investment in Lake Acquisitions Limited which indirectly owns 100% of EDF Energy Nuclear Generation Limited.
(iv) Barrow Offshore Wind Limited was disposed of on 19 December 2014.
(v) The Rhiannon wind farm (known as Celtic Array) licence was relinquished on 31 July 2014 because planned development was deemed uneconomic.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Ofgem consolidated segmental statement

Year ended 31 December 2014

		Electricity Generation				Electricity Supply		Gas Supply			
	Unit	Nuclear (i)	Thermal (i)	Renewables	**Aggregate Generation Business**	Domestic	Non-Domestic	Domestic	Non-Domestic	**Aggregate Supply Business**	**Midstream Power (ii)**
Total revenue	**£m**	**575.1**	**599.2**	**144.9**	**1,319.2**	**3,296.3**	**1,963.6**	**5,031.2**	**765.9**	**11,057.0**	**105.6**
Sales of electricity & gas	£m	570.4	587.7	53.0	**1,211.1**	3,260.7	1,955.3	4,986.1	765.9	**10,968.0**	59.9
Other revenue	£m	4.7	11.5	91.9	**108.1**	35.6	8.3	45.1	–	**89.0**	45.7
Total operating costs	**£m**	**(306.4)**	**(663.9)**	**(96.7)**	**(1,067.0)**	**(3,219.0)**	**(1,902.6)**	**(4,596.0)**	**(694.0)**	**(10,411.6)**	**(73.8)**
Direct fuel costs	£m	(76.1)	(456.6)	–	**(532.7)**	(1,390.5)	(954.6)	(2,443.8)	(441.4)	**(5,230.3)**	–
Direct costs	£m	(212.1)	(150.3)	(31.7)	**(394.1)**	(1,371.5)	(747.4)	(1,452.6)	(152.5)	**(3,724.0)**	(58.1)
Network costs	£m	*(34.7)*	*(39.3)*	*(4.9)*	**(78.9)**	*(870.7)*	*(471.7)*	*(1,147.5)*	*(136.5)*	**(2,626.4)**	–
Environmental and social obligation costs	£m	–	*(52.6)*	–	**(52.6)**	*(484.6)*	*(248.3)*	*(290.9)*	–	**(1,023.8)**	–
Other direct costs	£m	*(177.4)*	*(58.4)*	*(26.8)*	**(262.6)**	*(16.2)*	*(27.4)*	*(14.2)*	*(16.0)*	**(73.8)**	*(58.1)*
Indirect costs	£m	(18.2)	(57.0)	(65.0)	**(140.2)**	(457.0)	(200.6)	(699.6)	(100.1)	**(1,457.3)**	(15.7)
WACOF/E/G	**£/MWh, P/th**	**(6.7)**	**(50.9)**	**N/A**	**N/A**	**(61.0)**	**(58.6)**	**(71.1)**	**(68.3)**	**N/A**	**N/A**
EBITDA	**£m**	**268.7**	**(64.7)**	**48.2**	**252.2**	**77.3**	**61.0**	**435.2**	**71.9**	**645.4**	**31.8**
DA	**£m**	(59.0)	(55.1)	(38.3)	**(152.4)**	(32.1)	(6.4)	(41.5)	(3.3)	**(83.3)**	(1.0)
EBIT	**£m**	**209.7**	**(119.8)**	**9.9**	**99.8**	**45.2**	**54.6**	**393.7**	**68.6**	**562.1**	**30.8**
Volume	**TWh, MThms**	**11.2**	**10.0**	**0.9**	**22.1**	**22.8**	**16.3**	**3,439.0**	**646.1**	**N/A**	
Average customer numbers/sites	**'000s**	**N/A**	**N/A**	**N/A**	**N/A**	**6,513.6**	**587.1**	**8,414.5**	**301.4**	**N/A**	

		Domestic	Non-Domestic	Domestic	Non-Domestic	Aggregate Supply Business
Supply EBIT	**margin**	**1.4%**	**2.8%**	**7.8%**	**9.0%**	**5.1%**
Supply PAT	**£m**	**35.4**	**44.2**	**308.2**	**55.6**	**443.4**
Supply PAT	**margin**	**1.1%**	**2.3%**	**6.1%**	**7.3%**	**4.0%**

2013 Summarised CSS

Year ended 31 December 2013

		Electricity Generation				Electricity Supply		Gas Supply			
	Unit	Nuclear (i)	Thermal (i)	Renewables	Aggregate Generation Business	Domestic (iii)	Non-Domestic	Domestic (iii)	Non-Domestic	Aggregate Supply Business	Midstream Power (ii)
Total revenue (restated) (iii)	£m	628	590	157	1,375	3,454	1,951	6,033	904	12,342	111
EBIT	£m	250	(133)	25	142	28	49	543	97	717	29

		Domestic (iii)	Non-Domestic	Domestic (iii)	Non-Domestic	Aggregate Supply Business
Supply EBIT	margin (iii)	0.8%	2.5%	9.0%	10.7%	5.8%
Supply PAT	£m	21	39	402	78	540
Supply PAT	margin (iii)	0.6%	2.0%	6.7%	8.6%	4.4%

(i) The Nuclear and Thermal segments represent conventional electricity generation.

(ii) Midstream Power includes results from non-licenced activities related to power trading and bilateral arrangements with third party owners of power generation assets in the UK and Europe (included in the 'Centrica Energy – Power' segment as defined in the Centrica plc Preliminary Results of the year ended 31 December 2014 (note 5)).

(iii) 2013 revenues for Domestic Electricity Supply and Domestic Gas Supply have been restated from £3,497 million to £3,454 million and from £6,091 million to £6,033 million respectively. These restatements are to deduct government mandated social tariffs and discounts, and other social discounts (previously shown within direct costs), and have been made to be consistent with the new Ofgem presentation requirements for 2014. Consequential restatements of margin % have also been made.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Ofgem consolidated segmental statement

Glossary of terms

- 'WACOF/E/G' is weighted average cost of fuel (nuclear), electricity (supply) and gas (thermal and supply) calculated by dividing direct fuel costs by volumes. For the Thermal sub-segment the cost of carbon emissions is added to direct fuel costs before dividing by the generated volume.
- 'EBITDA' is earnings before interest, tax, depreciation and amortisation, and is calculated by subtracting total operating costs from revenue.
- 'DA' is depreciation and amortisation.
- 'EBIT' is earnings before interest and tax, and is calculated by subtracting total operating costs, depreciation and amortisation from total revenue.
- 'Supply EBIT margin' is a profit margin expressed as a percentage and calculated by dividing EBIT by total revenue and multiplying by 100 for the Supply segment.
- 'Supply PAT' is profit after tax but before interest and is calculated by subtracting Group adjusted tax from EBIT for the Supply segment.
- 'Supply PAT margin' is a profit margin expressed as a percentage and calculated by dividing Supply PAT by total revenue and multiplying by 100 for the Supply segment.
- 'Volume' for Supply is supplier volumes at the meter point (ie net of losses); Generation volume is the volume of power that can actually be sold in the wholesale market (ie generation volumes after losses up to the point where power is received under the Balancing and Settlement Code but before subsequent losses).
- 'Average customer numbers/sites' are calculated by adding average monthly customer numbers/sites (as defined in the Basis of preparation) and dividing by 12.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Business functions table

Year ended 31 December 2014 – analysis of business function's performance [(i)]

The table below illustrates where the business functions reside.

	Generation	Supply	Another part of business
Operates and maintains generation assets	✓	–	–
Responsible for scheduling decisions	✓	–	–
Responsible for interactions with the Balancing Market	✓	✓	–
Responsible for determining hedging policy	✓ (output)	✓ (demand)	–
Responsible for implementing hedging policy/makes decision to buy and sell energy	✓ (output)	✓ (demand)	–
Interacts with wider market participants to buy/sell energy	✓ (bilateral)	✓ (market and bilateral)	✓ (market and bilateral)[(ii)]
Holds unhedged positions (either short or long)	✓	✓	✓[(ii)]
Procures fuel for generation	✓	–	–
Procures allowances for generation	✓	–	–
Holds volume risk on positions sold (either internal or external)	✓	✓	–
Matches own generation with own supply	–	✓[(iii)]	✓[(ii)/(iii)]
Forecasts total system demand	–	✓	–
Forecasts wholesale price	✓[(iv)]	✓[(iv)]	✓[(iv)]
Forecasts customer demand	–	✓	–
Determines retail pricing and marketing strategies	–	✓	–
Bears shape risk after initial hedge until market allows full hedge	✓	✓	–
Bears short-term risk for variance between demand and forecast	–	✓	–

(i) The table reflects the business functions that impact our UK segments.
(ii) The Group's Supply and Generation businesses are separately managed. Both businesses independently enter into commodity purchases and sales with the market via Centrica Energy Limited (CEL), our market facing legal entity. CEL forms part of our non-licenced Midstream Power function and also conducts trading for the purpose of making profits in its own right. The Supply segment is also able to enter into market trades directly as part of its within day balancing activities (as well as external bilateral contracts).
(iii) There are a small number of bilateral off-take contracts between wind farm joint ventures and Domestic and Non-Domestic Electricity Supply segments. Other than this small number of bilateral contracts, 'Matches own generation with own supply' is undertaken in 'Another part of the business' (by CEL at market referenced prices), outside of the Generation and Supply segments.
(iv) A separate team forecasts the wholesale price for the benefit and use of the entire Group. This team does not formally reside in any particular segment but their costs are recharged across the Group.

Key:
✓ Function resides and profit/loss recorded in segment
– Neither function nor profit/loss reside in segment

Glossary of terms

- 'Scheduling decisions' means the decision to run individual generation units.
- 'Responsible for interactions with the Balancing Market' means interactions with the Balancing Mechanism in electricity.
- 'Interacts with wider market participants to buy/sell energy' means the business unit is responsible for interacting with wider market participants to buy/sell energy, not the entity responsible for the buy/sell decision itself, which falls under 'Responsible for implementing hedging policy/makes decisions to buy/sell energy'.
- 'Matches own generation with own supply' means where there is some internal matching of generation and supply before either generation or supply interact with the wider market.
- 'Forecasts total system demand' means forecasting total system electricity demand or total system gas demand.
- 'Forecasts customer demand' means forecasting the total demand of own supply customers.
- 'Bears shape risk after initial hedge until market allows full hedge' means the business unit which bears financial risk associated with hedges made before the market allows fully shaped hedging.
- 'Bears short-term risk for variance between demand and forecast' means the business unit which bears financial risk associated with too little or too much supply for own customer demand.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Basis of preparation

The following notes provide a summary of the basis of preparation of the 2014 submission.

The Ofgem CSS segments our Supply and Generation activities and provides a measure of profitability, weighted average cost of fuel, and volumes, in order to increase energy market transparency for consumers and other stakeholders.

These statements have been prepared by the Directors of Centrica plc and its Licensees in accordance with Standard Condition 16B of Electricity Generation Licences and Standard Condition 19A of the Electricity and Gas Supply Licences and the basis of preparation. Throughout the basis of preparation the first paragraph number relates to the generation licence and the second to the supply licence conditions respectively.

The financial data provided has been taken from the relevant licensee's and affiliate's financial information for the year ended 31 December 2014, included in the Centrica plc Preliminary Results of the year ended 31 December 2014 which has been prepared under International Financial Reporting Standards (in accordance with paragraph 3/19A.3).

For the Generation segment, we have included the financial results from all activities that relate to our generation licences. For clarity the following judgements have been made:

- Where a sub-segment (eg Nuclear, Thermal or Renewables) has undertaken trades to optimise the result of their underlying generation, the net revenue and result from these trades has been included in the CSS sub-segment as they are considered to be related to our generation licences.
- The Group has a long-term tolling contract in respect of the Spalding power station, but does not specifically hold the generation licence. This arrangement provides the Group with the right to nominate 100% of the plant capacity in return for a mix of capacity payments and operating payments. We do not own the power station and the Group does not control the physical dispatch of the asset. This contractual arrangement has been accounted for as a finance lease (under IFRS) and therefore the financial result and volume has been included in the Thermal sub-segment, within the Generation segment.
- The Group has a 20% equity interest in eight nuclear power stations (through its indirect investment in EDF Energy Nuclear Generation Limited). Although we do not specifically hold a generation licence for any of the nuclear stations, our gross share of the financial result from this business (including any contractual arrangements) has been included in the Nuclear sub-segment and hence within the Generation segment.
- The Group has equity interests in a number of wind farm joint ventures. Although we do not specifically hold a generation licence for any of the wind farms owned by these entities, our gross share of the financial result from these businesses (including any contractual arrangements) has been included in the Renewables sub-segment and hence within the Generation segment.
- As a voluntary disclosure, to aid transparency, the Midstream Power trading result (including immaterial overseas activities) has been reported in a separate column of the CSS ('Midstream Power'). The Midstream Power result includes trading in physical and financial energy contracts for the purpose of making profits in their own right and other non-licenced activities (see below). This does not form part of either the Generation or Supply segment. This means our CSS discloses all of the activities that have been included in the 'Centrica Energy – Power' segment of the Centrica plc Preliminary Results of the year ended 31 December 2014 (note 5).
- Where power is purchased from third parties (eg from wind farms, power stations or other bilateral arrangements) and we do not have an equity interest in, or a finance leasing arrangement (from an IFRS perspective) over the assets that generate this power, the result related to these activities is excluded from the Generation segment (but is included in our 'Midstream Power' disclosure). In all cases, the Generation segment reports direct fuel costs and generation volumes on a consistent basis (ie if the purchase cost is a direct fuel cost, then the electricity generated is reported in volume).

Domestic Supply represents the revenue and associated costs in supplying gas and electricity to residential customers in the UK. Non-Domestic Supply represents the revenue and associated costs in supplying gas and electricity to business customers in the UK.

As a voluntary disclosure, to aid comparability, a summarised 2013 CSS with margins has been included with the report.

Revenues

Revenues, costs and profits of the Licensees have been defined below and prepared in compliance with the Group's accounting policies as detailed in notes 2 and 3 of the Centrica plc Preliminary Results of the year ended 31 December 2014, except for joint ventures and associates which are presented gross (in accordance with paragraph 4(a)/19A.4(a)).

- Revenue from Sales of electricity and gas for the Supply segment is recognised on the basis of gas and electricity supplied during the period to both domestic and non-domestic customers.
- Revenue from Sales of electricity and gas includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread). For the respective Supply segments this means electricity and gas sales. Revenue for domestic supply is after deducting dual fuel discounts where applicable, with the discount split evenly between electricity and gas. Government mandated social tariffs and discounts, such as the Warm Home Discount, and other social discounts, have also been deducted from Domestic Supply revenues directly, charged specifically to each fuel.
- Revenue from Sales of electricity for the Generation segment is recognised on the basis of power supplied during the period. Power purchases and sales entered into to optimise the performance of each of the power Generation segments are presented net within revenue.
- LEC revenues associated with Renewables are included within Sales of electricity and gas because the certificates must be sold with the electricity.
- Revenue from Sales of electricity and gas in Midstream Power relate to the sale of power procured under non-licenced activities' power purchasing agreements (PPAs) and from overseas generation.
- No tolling agreements exist between business segments. The financial risks and rewards of owning and using the Group's power stations reside in the Generation segment.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Basis of preparation

- Other respective segmental revenues not related to the sale of gas or power have been separately disclosed. Other revenues include:
  - £91.9 million (2013: £106 million) in Renewables principally relating to the sale of ROCs and services provided to joint ventures. Other revenues in 2013 included revenue from sub-leasing a turbine installation ship;
  - £8.3 million in Non-Domestic Electricity Supply relating to connections and metering installations (2013: £10 million);
  - £35.6 million (2013: £39 million) in Domestic Electricity Supply and £45.1 million (2013: £39 million) in Domestic Gas Supply primarily relating to New Housing Connections and a variety of new technology investments including smart meter installations; and
  - £45.7 million in Midstream Power predominantly relating to the net result of trading in physical and financial energy contracts (both realised (settled) and unrealised (fair valued)) for the purpose of making profits in their own right, net of broker costs (2013: £40 million).

Direct fuel costs

Direct fuel costs for both Generation and Supply include electricity, gas, nuclear fuel and imbalance costs.

- Energy supply to Domestic and Non-Domestic energy customers is procured at a market referenced price, through a combination of bilateral, OTC and exchange based trades/contracts (see table below). Where energy is procured from within the Group it is also at a market referenced price on an OTC basis (except for a small number of bilateral off-take contracts between wind farm joint ventures and the Supply segments)[i]. The market referenced prices used are those prevailing at the time of procurement, which may differ from the price prevailing at the time of supply.
- Domestic and Non-Domestic fixed price products are hedged based upon anticipated demand at the start of the contract period. The majority of the gas and power for Non-Domestic energy and Domestic energy tariff products is purchased in advance (see table below).
- The exact Domestic and Non-Domestic purchasing patterns vary in response to the outlook for commodity markets and commercial factors.
- The Generation segment purchases gas and sells all of its energy at market referenced prices. Gas for CCGTs is procured at market referenced prices through a combination of OTC and exchange based trades/contracts. The cost to the power stations will reflect market referenced prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply.
- For the Midstream Power segment, any procurement of gas for overseas generation is reported as part of direct costs and not within direct fuel costs.

How we procure electricity, gas and carbon:

Long form bilateral contracts ('bilateral')	Individually negotiated contracts with non-standardised terms and conditions which may relate to size, duration or flexibility. Pricing is predominantly indexed to published market referenced prices, adjusted for transfer of risks, cost of carry and administration.
Over-the-counter ('OTC')	Broker supported market of standardised products, predominantly performed via screen based trading. These transactions are between two parties, leaving both parties exposed to the other's default with no necessary intermediation of any exchange. An internal over-the-counter price may be provided where market liquidity prevents external trading, with prices that are reflective of market conditions at the time of execution.
Exchange	Regulated electronic platform (notably ICE, APX, and N2EX) where standardised products are traded on exchange through the intermediary of the clearing house which becomes the counterparty to the trade. Membership of a clearing house is required which entails posting of cash or collateral as margin.

WACOF / WACOE / WACOG:

- For Generation this represents the weighted average input cost of gas, carbon and nuclear fuel, shown as £/MWh, used by the generation business. Gas for CCGTs is procured at market referenced prices through a combination of OTC and exchange based trades/contracts. The cost to the power stations will reflect market referenced prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply.
- For Supply this covers the wholesale energy cost, the energy element of Reconciliation-by-Difference (RBD) costs and balancing and shaping costs incurred by the Supply licensees. Again, gas and electricity is procured at market referenced prices through a combination of bilateral, OTC and exchange based trades/contracts. The cost for the Supply business will reflect market referenced prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply. Where gas is procured using (predominantly indexed) bilateral contracts, the fuel cost is then allocated between Domestic and Non-Domestic Supply using annually updated fixed-percentages based on the historical split of tariff book volumes. Gas and Electricity balancing costs are allocated between Domestic and Non-Domestic Supply based on their respective volumes multiplied by an appropriate industry referenced price (eg APX or SAP).
- For electricity Supply the weighted average cost of electricity is shown as £/MWh. For gas Supply, the weighted average cost of gas is shown as p/th.

(i) Internal power off-take contracts are long-term power and associated renewable obligation certificate sales from Generation owned assets to Domestic and Non-Domestic Electricity Supply. Pricing is indexed to published markets prices, adjusted for the transfer of risks specific to the asset.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Basis of preparation

Direct costs

Direct costs for Supply and Generation are broken down into network costs, environmental and social obligation costs and other direct costs.

- Network costs for Supply and Generation include transportation costs, BSUOS and the transport element of RBD costs. Supply transportation costs include transportation and LNG costs, including £46.1 million incurred by Gas Domestic Supply for the first time in 2014, which enables the segment to secure supply by giving the ability to bring gas into the UK from overseas.
- Environmental and social obligation costs for Domestic Supply include ROCs, FIT and ECO. Non-Domestic Supply includes the cost of LECs, ROCs and FIT. Within the Domestic and Non-Domestic segments, the costs of LECs, FIT and ROCs are included within Electricity, and ECO is allocated between Electricity and Gas based on the relevant legislation. Environmental and social obligation costs for the Generation segment relate to EU ETS carbon emission costs and carbon tax.
- Other direct costs for Generation include employee and maintenance costs.
- Other direct costs for Supply include brokers' costs and sales commissions when the costs have given rise directly to revenue ie producing a sale. They also include Elexon and Xoserve market participation and wider Smart metering programme costs.
- Other direct costs for Midstream Power principally relate to the costs of purchasing power under other non-licenced activities' PPAs and from procuring gas for overseas generation.

Indirect costs

Indirect costs for Supply and Generation include operating costs such as sales and marketing, bad debt costs, costs to serve, IT, HR, finance, property, staffing and billing and metering costs (including smart meter costs).

- Indirect costs for the Generation, Domestic and Non-Domestic Supply segments (including corporate and business unit recharges) are allocated based on relevant drivers which include turnover, headcount, operating profit, net book value of fixed assets and proportionate use/benefit. For Supply, indirect costs (including corporate recharges but excluding bad debt costs) are primarily allocated between Electricity and Gas on the basis of customer numbers (Domestic) and sites (Non-Domestic). Bad debt costs are allocated between Electricity and Gas on the basis of actual bad debt cost by individual contract in the billing system (Domestic), and on the basis of revenues (Non-Domestic).
- Indirect costs for Midstream Power relate to employee, IT and property costs.

Other

- For Supply, depreciation and amortisation is allocated between Electricity and Gas on the basis of customer numbers (Domestic) and sites (Non-Domestic).
- As the Langage, Humber and Killingholme power stations were reported as assets held for sale for the period 8 May 2014 to 31 December 2014, no depreciation has been charged on these stations during this period. Generation EBIT would have been reduced by £39.0 million had depreciation been charged.
- Generation segment EBIT excludes £58.0 million (2013: £61 million) of depreciation of fair value uplifts to property, plant and equipment relating to the strategic investment in Lake Acquisitions Limited (referred to as Nuclear in this document). For further details of this adjustment see notes 2, 5 and 12 of the Centrica plc Preliminary Results of the year ended 31 December 2014.
- For the purposes of Supply PAT, tax is allocated between Gas and Electricity within both Domestic and Non-Domestic Supply based on their relative proportions of EBIT. Note 5(c) of the Centrica plc Preliminary Results of the year ended 31 December 2014 provides details of the adjusted operating profit after tax of the 'British Gas – Residential energy supply' and 'British Gas – Business energy supply and services' operating segments.
- For the Domestic Supply segment, customer numbers are stated based on the number of district meter point reference numbers (MPRNs) and meter point administration numbers (MPANs) in our billing system (for gas and electricity respectively), where it shows an active point of delivery and a meter installation. As a result, our customer numbers do not include those meter points where a meter may recently have been installed but the associated industry registration process has yet to complete, as the meter information will not be present in our billing system.
- For the Non-Domestic Supply segment, sites are based on the number of distinct MPRNs and MPANs in our billing system for gas and electricity respectively.

Transfer pricing for electricity, gas and generation licensees in accordance with paragraph 4(d)/19A.4(d)

There are no specific energy supply agreements between the Generation and Supply segments (apart from a small number of bilateral off-take[i] contracts between wind farm joint ventures and Domestic and Non-Domestic Electricity Supply segments).

In December 2014 Ofgem finalised its proposed licence amendments, which included the requirement to ensure transfer pricing methodologies are appropriate and up to date. In order to meet this requirement, the Group ensured all transfer pricing and cost allocation methodologies were internally reviewed and collated in a central repository. In addition, Internal Audit performed a limited procedures review of the documentation to give comfort over compliance with the Ofgem guidelines.

(i) Internal power off-take contracts are long-term power and associated renewable certificate sales from Generation owned assets to Domestic and Non-Domestic Electricity Supply. Pricing is indexed to published market prices, adjusted for the transfer of risks specific to the asset.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Basis of preparation

Treatment of joint ventures and associates

The share of results of joint ventures and associates for the year ended 31 December 2014 principally arises from the Group's interests in the entities listed on page 2.

Under paragraph 5 of the Conditions, the information provided in the CSS includes our gross share of revenues, costs, profits and volumes of joint ventures and associates. In preparing the CSS, joint ventures and associates (which hold a UK generation licence or exemption) are accounted for as follows:

- our proportionate share of revenues of joint ventures and associates has been included within revenue;
- our proportionate share of the profit before tax of joint ventures and associates has been included within EBIT and EBITDA; and
- our proportionate share of the generation volumes of joint ventures and associates has been included within the generation volumes.

For each of the above items, our share of the income and expenses of the joint ventures or associates has been combined line by line within the relevant item of the CSS.

The Supply segment has investments in associates but because the investees' businesses do not relate to the sale of gas and electricity, the share of result (revenue of £6 million (2013: £8 million), EBIT loss of £1 million (2013: £7 million)) has been included net within indirect costs rather than gross, on a line by line basis.

Exceptional items and certain re-measurements

Mark to market adjustments, profits or losses on disposal and impairment charges that have been identified in the Centrica plc Preliminary Results of the year ended 31 December 2014 are excluded from the CSS. For further details of excluded exceptional items and certain re-measurements see note 6 in the Centrica plc Preliminary Results of the year ended 31 December 2014.

In 2014 the Renewables sub-segment result included a net £16.6 million loss: being a £40.1 million write-off of the Group's investment in Celtic Array Limited offset by a £23.5 million profit on disposal of Barrow Offshore Wind Farm Limited. This result has been included in the Generation segment as it is not exceptional in size, nature or incidence, and does not materially change the Generation result. This treatment is consistent with the Group's established wind farm strategy to realise value, share risk and reduce our capital requirements as individual projects develop, which may involve bringing in partners at an appropriate stage or full disposal.

The Nuclear sub-segment result includes a £20.8 million profit from the revaluation of contingent valuation rights, related to the original acquisition of the Nuclear investment. This result has been included in Generation segment as it is not exceptional in size, nature or incidence, and does not materially change the Generation result.

The Supply segment includes a number of impairment losses totalling £2.4 million (2013: £18 million). These losses have been included in the Supply results as they are not exceptional in size, nature or incidence, and do not materially change the result.

A reconciliation of the Segmental Statement revenue, EBIT, depreciation and Supply PAT to the Centrica plc Preliminary Results of the year ended 31 December 2014 has been included in accordance with paragraph 4(b) & (c)/19A.4 (b) & (c) and 6/19A.6.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Reconciliation to Centrica plc Preliminary Results

The reconciliation refers to the segmental analysis of the 2014 Centrica plc Preliminary Results of the year ended 31 December 2014 in note 5

		Notes	Generation Segment	Supply segment			
				Domestic		Non-Domestic	
				Electricity	Gas	Electricity	Gas
			2014	2014	2014	2014	2014
Revenue (£ million)	**Centrica plc Preliminary Results Segmental Analysis** [i]		1,347.1	8,327.5		2,981.4	
	Gas and Electricity Allocation	1	–	3,296.3	5.031.2	2,215.5	765.9
	Include share of JVs and Associates	2	716.0	–	–	–	–
	Exclude intra-segment revenues	3	(638.3)	–	–	–	–
	Exclude midstream revenues	4	(105.6)	–	–	–	–
	Exclude non-domestic services revenues	5	–	–	–	(251.9)	–
	Ofgem Consolidated Segmental Statement		1,319.2	3,296.3	5,031.2	1,963.6	765.9
EBIT (£ million)	**Centrica plc Preliminary Results Segmental Analysis** [i]	1	130.6	438.9		113.8	
	Gas and Electricity Allocation		–	45.2	393.7	45.2	68.6
	Exclude midstream EBIT	4	(30.8)	–	–	–	–
	Exclude non-domestic services loss	5	–	–	–	9.4	–
	Ofgem Consolidated Segmental Statement		99.8	45.2	393.7	54.6	68.6
Depreciation (£ million)	**Centrica plc Preliminary Results Segmental Analysis** [i]	1	(56.6)	(73.6)		(10.2)	
	Gas and Electricity Allocation		–	(32.1)	(41.5)	(6.9)	(3.3)
	Include share of JVs and Associates depreciation	6	(96.8)	–	–	–	–
	Exclude midstream depreciation	4	1.0	–	–	–	–
	Exclude non-domestic services depreciation	5	–	–	–	0.5	–
	Ofgem Consolidated Segmental Statement		(152.4)	(32.1)	(41.5)	(6.4)	(3.3)
PAT (£ million)	**Centrica plc Preliminary Results Segmental Analysis** [i]	1		343.6		90.9	
	Gas and Electricity Allocation			35.4	308.2	35.3	55.6
	Exclude non-domestic services loss	5		–	–	8.9	–
	Ofgem Consolidated Segmental Statement			35.4	308.2	44.2	55.6

(i) The table above reconciles the Generation segment to 'Centrica Energy – Power', the Domestic Supply segment to 'British Gas – Residential energy supply' and the Non-Domestic Supply segment to 'British Gas – Business energy supply and services' in note 5 to the Centrica plc Preliminary Results of the year ended 31 December 2014. Also included in note 5 is a reconciliation to the IFRS compliant statutory result reported by the Centrica plc Group.

OFGEM CONSOLIDATED SEGMENTAL STATEMENT

Reconciliation to Centrica plc Preliminary Results

Notes:

1. The share of Domestic and Non-Domestic Revenues, Operating Profit (EBIT), Depreciation (including amortisation) and PAT (adjusted operating profit after tax) is provided in note 5 of the Centrica plc Preliminary Results of the year ended 31 December 2014.
2. £716.0 million of revenues relating to the Group's share of joint ventures and associates in Generation are included in the CSS – £619.8 million relating to Nuclear revenues and £96.2 million relating to Wind revenues. £253.8 million of EBIT in the Generation segment relates to profit from joint ventures (£261.6 million profit relating to Nuclear and £7.8 million loss relating to Wind). Additionally, costs relating to the Group's share of joint ventures and associates – £76.1 million direct fuel costs, £233.2 million direct costs, £56.1 million indirect costs and £96.8 million depreciation and amortisation are included. The results of joint ventures and associates are shown separately in the Centrica plc Preliminary Results of the year ended 31 December 2014 in note 12.
3. £638.3 million of intra-segment revenues between the joint ventures and associates and the Generation segment (included in the £716.0 million of joint venture and associate revenues) are excluded from the CSS.
4. £105.6 million of revenues, £30.8million of operating profit and £1.0 million of depreciation relating to Centrica's Midstream Power non-licenced activities ('Midstream Power') are excluded from the Generation segment of the CSS (but have been voluntarily disclosed as 'Midstream Power').
5. £251.9 million of revenues, £9.4 million of operating loss, £0.5 million of depreciation and £8.9 million of operating loss after tax relate to Non-Domestic services and are excluded from the CSS.
6. £96.8 million of depreciation relating to the Group's share of joint venture and associates in Generation is included in depreciation cost in the CSS. £58.0 million of depreciation relating to the fair value uplifts to property, plant and equipment relating to the strategic investment in Nuclear is excluded from this number. The Centrica plc Preliminary Results of the year ended 31 December 2014 provides further information on our joint ventures and associates in note 12.