

CENTRICA RESOURCES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2001

REGISTERED NO: 2855151



Centrica Resources Limited

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Centrica Resources Limited

DIRECTORS' REPORT

The Directors submit their report and audited financial statements of Centrica Resources Limited ("the Company") for the year ended 31 December 2001.

Principal activities

The principal activities of the Company comprise the exploration for and the development and production of oil and gas reserves. Principal areas of activity are the United Kingdom sector of the North Sea and the Irish Sea.

Financial results and business review

The Company recorded an operating profit of £24,941,000 for the year ended 31 December 2001 (2000: £15,140,000). The profit on ordinary activities after taxation for the year ended 31 December 2001 was £13,341,000 (2000: £905,000 as restated).

Oil production averaged 5,666 barrels per day (net) (2000: 4,221 barrels per day (net)) for the year ended 31 December 2001. Gas production averaged 104.24 million cubic feet per day (net) for the year ended 31 December 2001 (2000: 92.93 million cubic feet per day (net)).

The Company continues to build on its equity interests in oil and gas reserves. Details of the significant purchases subsequent to the balance sheet date can be found in note 20 on page 23.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2001 (2000: £nil).

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED
31 DECEMBER 2001 (continued)**

Creditor payment policy

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

- (a) agree the terms of payment at the start of business with that supplier;
- (b) ensure that suppliers are aware of the terms of payment; and
- (c) pay in accordance with its contractual and other legal obligations.

The number of days of average daily purchases included in trade creditors as at 31 December 2001 was less than one day (as at 31 December 2000: 1 day).

Employment policies

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

Employee communications

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

Directors

The following served as directors during the year:

Anthony Charles Henshaw
Jacob Shield Ulrich (Chairman)
David Clarke
John Nicholas Shears
Michael John Garstang (appointed 24 October 2001)

Centrica Resources Limited

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

Directors' interests

At no time during the year ended 31 December 2001, did any director have any interest in the shares of the Company or any other company in the Centrica plc group, except for the interests in, and the options over, the shares and interests of the ultimate parent company, Centrica plc, as set out below.

The Directors with interests in ordinary shares of Centrica plc during the year (which include those of their families), and who were holding office at the year end are as follows:

Interests in ordinary shares

| | As at 1 January 2001 | As at 31 December 2001 |
|------------------|-------------------------|---------------------------|
| Anthony Henshaw | 230 | 476 |
| David Clarke | 3,856 | 1,602 |
| John Shears | 951 | 1,197 |
| Jacob Ulrich | 103,790 | 69,036 |
| Michael Garstang | - | 246 |

Interests shown include shares held under the terms of the Centrica plc profit sharing scheme, where applicable.

Sharesave

| | As at 1 January 2001 | As at 31 December 2001 |
|------------------|-------------------------|---------------------------|
| Anthony Henshaw | 7,580 | 7,580 |
| David Clarke | 21,942 | 21,942 |
| John Shears | 4,944 | 5,958 |
| Jacob Ulrich | 37,176 | 37,176 |
| Michael Garstang | 5,962* | 5,962 |

Options over shares in Centrica plc granted in June 1997, June 1998, December 1999, June 2000 and April 2001 were at an option price of 46.4, 92.2, 127.8, 202.6 and 191.0 pence per share respectively.

* as at date of appointment

Centrica Resources Limited

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

Long term incentive scheme

| | As at 1 January 2001 | Granted during the year | Exercised during the year | As at 31 December 2001 |
|------------------|----------------------------|-------------------------------|---------------------------------|------------------------------|
| Anthony Henshaw | 64,852 | 25,616 | - | 90,468 |
| David Clarke | 219,768 | 28,055 | - | 247,823 |
| John Shears | 363,327 | 39,033 | - | 402,360 |
| Jacob Ulrich | 1,448,402 | 148,206 | (95,694) | 1,500,914 |
| Michael Garstang | 28,342* | 20,492 | - | 48,834 |

Notional allocations of shares were made on 1 October 2001 at a base price of 234.37 pence. Figures as at 31 December 2001 shown above include notional allocations of shares subject to performance conditions and for David Clarke, John Shears and Jacob Ulrich, allocations of shares that have reached the conclusion of the relevant performance period but will not be transferred until the expiry of the retention period (a further two years).

* as at date of appointment

Centrica Executive Share Option Scheme

| | As at 1 January 2001 | Granted during the year | As at 31 December 2001 |
|------------------|----------------------------|-------------------------------|------------------------------|
| Anthony Henshaw | - | - | - |
| David Clarke | - | 47,906 | 47,906 |
| John Shears | - | 66,652 | 66,652 |
| Jacob Ulrich | - | 337,429 | 337,429 |
| Michael Garstang | - | - | - |

Options were granted on 31 May 2001 under the terms of the Centrica Executive Share Option Scheme at an option price of 240.05 pence. The options will become exercisable, to the extent that performance conditions are satisfied, three years after the date of the grant and remain exercisable until the tenth anniversary of the grant.

Options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme and New Executive Share Option, and allocations made under the terms of the Long Term Incentive Scheme. Details of these schemes can be found in the accounts of Centrica plc.

Centrica Resources Limited

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED
31 DECEMBER 2001 (continued)**

The closing price of a Centrica ordinary share on the last trading day of 2001 (31 December) was 222 pence. The range during the year was 257 pence (high) and 199.75 pence (low).

Directors' insurance

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

Auditors

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

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

By order of the Board

 *IAN RITCHIE*

For and on behalf of
Centrica Secretaries Limited
(Company Secretary)

Date: 22 October 2002

Registered Office: Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The Directors consider that in preparing the financial statements on pages 8 to 23, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and all accounting standards which they consider to be applicable have been followed.

The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Centrica Resources Limited

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF CENTRICA RESOURCES LIMITED

We have audited the financial statements of Centrica Resources Limited (the "Company") for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

As described in the statement of Directors' responsibilities the Company's Directors are responsible for the preparation of the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

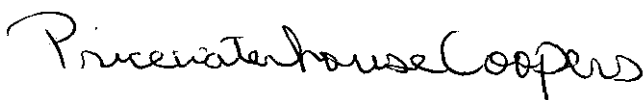
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH

Date: 22 October 2002

Centrica Resources Limited

Centrica Resources Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

| | | Year ended 31 December 2001 | Year ended 31 December 2000 (as restated) |
|---|------|--------------------------------|---|
| | Note | £'000 | £'000 |
| Turnover | 3 | 113,484 | 85,644 |
| Cost of sales | | <u>(88,543)</u> | <u>(70,504)</u> |
| Operating profit | | 24,941 | 15,140 |
| Profit on sale of fixed assets | | 9,543 | - |
| Other interest receivable and similar income | 5 | 57 | 26 |
| Interest payable and similar charges | 5 | <u>(15,571)</u> | <u>(16,022)</u> |
| Profit/(loss) on ordinary activities before taxation | 4 | 18,970 | (856) |
| Tax on profit/(loss) on ordinary activities | 6 | <u>(5,629)</u> | <u>1,761</u> |
| Retained profit for the financial year | | <u><u>13,341</u></u> | <u><u>905</u></u> |

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | | Year ended 31 December 2001 | Year ended 31 December 2000 (as restated) |
|---|------|--------------------------------|---|
| | Note | £'000 | £'000 |
| Retained profit and total losses recognised for the year | | 13,341 | <u>905</u> |
| Prior year adjustments | 2 | <u>(6,781)</u> | |
| Total losses recognised since last annual report and accounts | | <u><u>6,560</u></u> | |

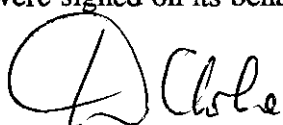
The notes on pages 10 to 23 form part of these financial statements.

Centrica Resources Limited

BALANCE SHEET AS AT 31 DECEMBER 2001

| | | Year ended 31 December 2001 | Year ended 31 December 2000 (as restated) |
|---|------|--------------------------------|---|
| | Note | £'000 | £'000 |
| Fixed assets | | | |
| Tangible fixed assets | 7 | 203,224 | 239,709 |
| Current assets | | | |
| Stocks | 8 | 2,507 | 2,623 |
| Debtors (amount falling due within one year) | 9 | 78,279 | 44,684 |
| Debtors (amount falling due after more than one year) | 9 | 13,292 | 10,136 |
| Cash at bank and in hand | | - | 1,021 |
| | | <u>94,078</u> | <u>58,464</u> |
| Creditors (amounts falling due within one year) | 10 | <u>(21,427)</u> | <u>(39,477)</u> |
| Net current assets | | <u>72,651</u> | <u>18,987</u> |
| Total assets less current liabilities | | 275,875 | 258,696 |
| Creditors (amounts falling due after more than one year) | 11 | (173,786) | (179,604) |
| Provisions for liabilities and charges | 12 | <u>(46,555)</u> | <u>(36,899)</u> |
| Net assets | | <u>55,534</u> | <u>42,193</u> |
| Capital and reserve – equity interests | | | |
| Called up share capital | 14 | 120,000 | 120,000 |
| Profit and loss account | 15 | <u>(64,466)</u> | <u>(77,807)</u> |
| Shareholders' funds | 16 | <u>55,534</u> | <u>42,193</u> |

The accounts on pages 8 to 23 were approved by the Board of Directors on 22 October 2002 and were signed on its behalf by:



David Clarke (Director)

The notes on pages 10 to 23 form part of these financial statements.

NOTES TO THE ACCOUNTS

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention and the Companies Act 1985. Both Financial Reporting Standard (FRS) 18, Accounting Policies, and FRS 19, Deferred Tax, were adopted in 2001. In accordance with the transitional arrangements of FRS 17, Retirement Benefits, additional disclosures are contained in the notes to the financial statements.

1 Principal accounting policies

a) Exemptions

As the Company is a wholly owned subsidiary of GB Gas Holdings Limited which is a wholly owned subsidiary of Centrica plc, the Company has taken advantage of the exemptions within Financial Reporting Standard No. 1 "Cash Flow Statements" from presenting a cash flow statement and within Financial Reporting Standard No. 8 "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

b) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Where the Company has ongoing obligations to provide services, revenues are apportioned on a time basis, and those monies received in advance are treated as deferred income and excluded from current turnover.

c) Cost of sales

Cost of sales include the cost of gas produced, and related transportation and royalty costs, bought in materials and services, and direct labour and related overheads on installation works, repairs and service contracts. Gas production costs include petroleum revenue taxes, calculated on a unit of production basis, with changes in estimates dealt with prospectively over the remaining lives of gas fields.

d) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at closing rates of exchange.

Exchange differences on monetary assets and liabilities are taken to the profit and loss account, except that exchange differences on foreign currency borrowings used to finance or hedge foreign currency net investments in overseas subsidiary undertakings and joint ventures are taken directly to reserves. All other exchange movements are dealt with through the profit and loss account.

NOTES TO THE ACCOUNTS (continued)

1 Principal accounting policies (continued)

e) Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment. Other tangible fixed assets, except exploration and production 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.

Exploration and production assets are depreciated from the commencement of production in the fields concerned, using the successful efforts and unit of production methods, based on all of the proven and probable reserves of those fields. Changes in these estimates are dealt with prospectively. The net carrying value of fields in production is compared on a field-by-field basis with the likely future net revenues to be derived from the estimated remaining commercial reserves. A provision is made where it is considered that recorded amounts are unlikely to be fully recovered from the net present value of future net revenues.

f) Decommissioning costs

Provision is made for the net present cost of decommissioning gas production facilities. A corresponding tangible fixed asset is recognised in respect of the decommissioning costs, based on price levels and technology at the balance sheet date. This asset is amortised using the unit of production method, based on proved and probable developed reserves. Notional interest charges arise over time, based upon the discounted decommissioning liabilities.

g) Leases

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

h) Stocks

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

NOTES TO THE ACCOUNTS (continued)

1 Principal accounting policies (continued)

i) Pensions

Pensions are accounted for in accordance with SSAP 24, Pension costs. The company participates in group defined benefit pension schemes and contributions and pension costs are based on pension costs across the Group as a whole.

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

j) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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 an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

This is a change in accounting policy as described in note 2. A net 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.

NOTES TO THE ACCOUNTS (continued)

1 Principal accounting policies (continued)

j) Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

k) Long term incentive scheme

The cost of potential share awards under the Group's long-term incentive schemes is charged to the profit and loss account over the period to which the performance criteria of each allocation relates. Cost is defined as the difference between the contribution receivable from employees and the market value at the date of grant, or the actual cost of shares where market purchases are made at, or around, grant date. Cost also includes National Insurance charges expected to arise at exercise dates.

2 Change in accounting policy

The comparative figures have been restated as a result of the implementation of FRS 19, Deferred Tax. The impact of the change in accounting policy is set out below:

| | Year ended 31 December 2001 £'000 | Year ended 31 December 2000 £'000 |
|---|---|---|
| Within the profit and loss account | | |
| Tax (charge)/credit on profit on ordinary activities | <u>7,692</u> | <u>9,057</u> |
| Profit/(loss) on ordinary activities after taxation for the financial year | <u>7,692</u> | <u>9,057</u> |
| | As at 31 December 2001 £'000 | As at 31 December 2000 £'000 |
| Within the balance sheet | | |
| Debtors falling due after more than one year | <u>911</u> | <u>(6,781)</u> |
| Profit and loss reserve | <u>911</u> | <u>(6,781)</u> |

Centrica Resources Limited

NOTES TO THE ACCOUNTS (continued)

3 Segmental analysis

Turnover relates to continuing activities and derives principally from the sale of gas and crude oil. All turnover arises in the United Kingdom, of which £31,082,000 (2000: £16,208,000) related to exports to the rest of Europe, and £2,571,000 (2000: £11,433,000) related to exports to the United States of America.

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | Year ended 31 December 2001 £'000 | Year ended 31 December 2000 £'000 |
|-------------------------------------|---|---|
| Depreciation and amortisation | 49,063 | 33,694 |
| Auditor's remuneration – audit fees | 38 | 20 |

i) Directors' remuneration

The total directors' remuneration for the period was as follows:

| | Year ended 31 December 2001 £'000 | Year ended 31 December 2000 £'000 |
|----------------------|---|---|
| Aggregate emoluments | <u>192</u> | <u>199</u> |

All of the Directors who served during the year are members of the ultimate parent company's defined benefit pension scheme.

Under the Centrica plc Group long-term incentive scheme, one Director received shares during the year.

Centrica Resources Limited

NOTES TO THE ACCOUNTS (continued)

4 Profit on ordinary activities before taxation (continued)

ii) Employee costs

| | Year ended 31 December 2001 £'000 | Year ended 31 December 2000 £'000 |
|-----------------------|---|---|
| Wages and salaries | 412 | 494 |
| Social security costs | 44 | 41 |
| Other pension costs | <u>43</u> | <u>31</u> |
| | <u>499</u> | <u>566</u> |

iii) Employee numbers

The average number of employees during the year was 6 (2000: 7).

5 Interest

| | Year ended 31 December 2001 £'000 | Year ended 31 December 2000 £'000 |
|---|---|---|
| i) Other interest receivable and similar income | | |
| Other interest receivable | <u>57</u> | <u>26</u> |
| ii) Interest payable and similar charges | | |
| Interest payable on loans from parent company | (8,694) | (9,914) |
| Notional interest arising on discounted items | (6,581) | (6,095) |
| Other interest payable | <u>(296)</u> | <u>(13)</u> |
| | <u>(15,571)</u> | <u>(16,022)</u> |

Centrica Resources Limited

NOTES TO THE ACCOUNTS (continued)

6 Taxation on profit/(loss) on ordinary activities

| | Year ended 31 December 2001 £'000 | Year ended 31 December 2000 £'000 (as restated) |
|---|---|--|
| Current tax: | | |
| - UK corporation tax at 30% (2000: 30%) | 9,388 | 7,785 |
| - Adjustments in respect of prior years | <u>(369)</u> | <u>-</u> |
| Total current tax | 9,019 | 7,785 |
| Deferred tax: | | |
| - Deferred petroleum revenue tax (PRT) relief | (347) | 275 |
| - Other timing differences | (3,349) | (6,288) |
| - Adjustments in respect of prior years | <u>306</u> | <u>(3,533)</u> |
| Taxation charge | <u><u>5,629</u></u> | <u><u>(1,761)</u></u> |

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:

| | Year ended 31 December 2001 £'000 | Year ended 31 December 2000 £'000 |
|--|---|---|
| Profit on ordinary activities before tax | <u>18,970</u> | <u>(856)</u> |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2000: 30%) | 5,691 | (257) |
| Effects of: | | |
| - Expenses not deductible for tax purposes | 1 | 2,029 |
| - Utilisation of timing differences | (2,402) | 1,654 |
| - Depreciation in excess of capital allowances | 5,751 | 4,634 |
| - Movement on deferred PRT provision | 347 | (275) |
| - Adjustments to tax charge in respect of previous periods | <u>(369)</u> | <u>-</u> |
| Current tax charge for the year | <u><u>9,019</u></u> | <u><u>7,785</u></u> |

Centrica Resources Limited

NOTES TO THE ACCOUNTS (continued)

7 Fixed assets

| | Exploration Development & Production £'000 | Other £'000 | Total £'000 |
|--|---|------------------------|------------------------|
| Cost | | | |
| As at 1 January 2001 | 433,897 | 406 | 434,303 |
| Additions | 9,280 | - | 9,280 |
| Acquisitions | 7,563 | - | 7,563 |
| Disposals | (38,419) | - | (38,419) |
| Revision of abandonment estimate | 770 | - | 770 |
| As at 31 December 2001 | <u><u>413,091</u></u> | <u><u>406</u></u> | <u><u>413,497</u></u> |
| Depreciation and amortisation | | | |
| As at 1 January 2001 | 194,188 | 406 | 194,594 |
| Charge for the year | 49,063 | - | 49,063 |
| Disposals | (33,384) | - | (33,384) |
| As at 31 December 2001 | <u><u>209,867</u></u> | <u><u>406</u></u> | <u><u>210,273</u></u> |
| Net book value as at 31 December 2001 | <u><u>203,224</u></u> | <u><u>-</u></u> | <u><u>203,224</u></u> |
| Net book value as at 31 December 2000 | <u><u>239,709</u></u> | <u><u>-</u></u> | <u><u>239,709</u></u> |

8 Stocks

| | As at 31 December 2001 £'000 | As at 31 December 2000 £'000 |
|-------------------------------------|---|---|
| Oil stocks | 1,070 | 1,248 |
| Other raw materials and consumables | <u>1,437</u> | <u>1,375</u> |
| | <u><u>2,507</u></u> | <u><u>2,623</u></u> |

Centrica Resources Limited

NOTES TO THE ACCOUNTS (continued)

9 Debtors

| Amounts falling due | As at 31 December 2001 £'000 | | As at 31 December 2000 £'000 (as restated) | |
|--|------------------------------------|---------------|---|---------------|
| | within | after | within | after |
| | one year | one year | one year | one year |
| Trade debtors | 324 | - | 3 | - |
| Amount due from group undertaking | 72,428 | - | 36,164 | - |
| Other debtors | 358 | - | 501 | - |
| Prepayments and accrued income | 2,747 | - | 5,828 | - |
| Deferred corporation tax asset (Note 13) | <u>2,422</u> | <u>13,292</u> | <u>2,188</u> | <u>10,136</u> |
| | <u>78,279</u> | <u>13,292</u> | <u>44,684</u> | <u>10,136</u> |

10 Creditors (amounts falling due within one year)

| | As at 31 December 2001 £'000 | As at 31 December 2000 £'000 |
|------------------------------------|------------------------------------|------------------------------------|
| Amounts owed to group undertakings | 2,766 | 20,283 |
| Taxation and social security | 4,858 | 5,723 |
| Other creditors | 3,129 | 1,281 |
| Accruals and deferred income | <u>10,674</u> | <u>12,190</u> |
| | <u>21,427</u> | <u>39,477</u> |

11 Creditors (amounts falling due after more than one year)

| | As at 31 December 2001 £'000 | As at 31 December 2000 £'000 |
|------------------------------------|------------------------------------|------------------------------------|
| Deferred income | 6,735 | 10,324 |
| Amounts owed to group undertakings | <u>167,051</u> | <u>169,280</u> |
| | <u>173,786</u> | <u>179,604</u> |

The amounts owed to group undertakings include an amount owed to the parent company for an unsecured loan of £133.5m repayable on 26 November 2003. Interest is payable at 0.2% above LIBOR.

Centrica Resources Limited

NOTES TO THE ACCOUNTS (continued)

12 Provision for liabilities and charges

| | Deferred PRT £'000 | Decommissioning Costs £'000 | Pension Costs £'000 | Total £'000 |
|---------------------------|--------------------------|-----------------------------------|---------------------------|----------------|
| As at 31 December 2000 | 7,668 | 29,209 | 22 | 36,899 |
| Acquisition and disposals | - | 6,402 | - | 6,402 |
| Revisions | - | 770 | - | 770 |
| Profit and loss charge | 4,951 | 1,295 | 30 | 6,276 |
| Utilised in the year | <u>(3,792)</u> | <u>-</u> | <u>-</u> | <u>(3,792)</u> |
| As at 31 December 2001 | <u>8,827</u> | <u>37,676</u> | <u>52</u> | <u>46,555</u> |

Decommissioning costs

Provision has been made for the estimated net present cost of decommissioning gas production facilities at the end of their producing lives. The estimate has been based on proven and probable reserves, price levels and technology at the balance sheet date. The timing of decommissioning payments are dependent on the lives of a number of fields but are anticipated to occur between 2005 and 2042. The revision in the year is due to an increase in the estimate for gas field abandonment costs. The profit and loss charge includes £1,295,000 of notional interest.

Pension costs

This provision includes the difference between charges to the profit and loss account and the contributions paid to the pension schemes in respect of retirement pensions and other related benefits.

Deferred PRT (petroleum revenue tax)

The provision for tax on gas activities has been calculated on a unit of production basis.

NOTES TO THE ACCOUNTS (continued)

13 Deferred taxation

A deferred tax provision has been made in respect of accelerated capital allowances and other timing differences, net of recognised deferred tax assets. As required by FRS 19, deferred tax assets are only recognised when there is persuasive and reliable evidence that the assets can be realised. Detailed operating plans covering two years from the balance sheet date are used for deferred tax asset recognition purposes. Potential deferred tax asset utilisation falling outside that planning horizon is not currently recognised on the balance sheet. As encouraged by FRS 19, deferred tax asset recognition will be regularly reassessed.

Movement on the deferred corporation tax provision/(asset) in the year is analysed below:

| | As at 1 January 2001 (as restated) £000 | Profit and loss charge/ (credit) £'000 | As at 31 December 2001 £'000 |
|----------------------------------|--|---|------------------------------------|
| Deferred corporation tax | | | |
| - accelerated capital allowances | 15,533 | (7,695) | 7,838 |
| - deferred PRT | (2,301) | (347) | (2,648) |
| - other timing differences | <u>(25,556)</u> | <u>4,652</u> | <u>(20,904)</u> |
| | <u>(12,324)</u> | <u>(3,390)</u> | <u>(15,714)</u> |

Deferred corporation tax provision/(asset) at 30% (2000: 30%) is analysed as follows:

| | Provided | | Unprovided | |
|----------------------------------|-------------------|-----------------|-------------------|-------|
| | As at 31 December | | As at 31 December | |
| | 2001 | 2000 | 2001 | 2000 |
| | £'000 | £'000 | £'000 | £'000 |
| | (as restated) | | (as restated) | |
| Deferred corporation tax | | | | |
| - accelerated capital allowances | 7,838 | 15,533 | - | - |
| - deferred PRT | (2,648) | (2,301) | - | - |
| - other timing differences | <u>(20,904)</u> | <u>(25,556)</u> | - | - |
| | <u>(15,714)</u> | <u>(12,324)</u> | - | - |

Centrica Resources Limited

NOTES TO THE ACCOUNTS (continued)

14 Share capital

| | As at 31 December 2001 £'000 | As at 31 December 2000 £'000 |
|--|------------------------------------|------------------------------------|
| Authorised: | | |
| 500,000,000 ordinary shares of £1 each | <u>500,000</u> | <u>500,000</u> |
| Allotted, called up and fully paid: | | |
| 120,000,000 ordinary shares of £1 each | <u>120,000</u> | <u>120,000</u> |

15 Movement on profit and loss account

| | 2001 £'000 |
|--|-----------------|
| Profit and loss account brought forward as previously stated | (71,026) |
| Prior year adjustments (see Note 2) | <u>(6,781)</u> |
| Profit and loss account brought forward as restated | (77,807) |
| Retained profit for the year | <u>13,341</u> |
| Profit and loss account carried forward | <u>(64,466)</u> |

16 Reconciliation of movements in shareholders' funds

| | 2001 £'000 | 2000 £'000 |
|---|----------------|-----------------|
| Profit/(loss) for the financial year | | |
| as previously stated | 13,341 | (8,152) |
| Prior year adjustments (see Note 2) | <u>-</u> | <u>9,057</u> |
| Profit for the financial year as restated | 13,341 | 905 |
| Shareholders' funds as at 1 January | | |
| as previously stated | 48,974 | 57,126 |
| Prior year adjustments (see Note 2) | <u>(6,781)</u> | <u>(15,838)</u> |
| Shareholders' funds as at 31 December | <u>55,534</u> | <u>42,193</u> |

NOTES TO THE ACCOUNTS (continued)

17 Pensions – Disclosures in accordance with FRS 17

The majority of the Company's UK employees as at 31 December 2001 were members of one of the four main schemes in the Centrica plc Group; the Centrica Staff Pension Scheme.

This scheme has been treated as defined benefit schemes and its 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 this scheme, and therefore, as allowed within FRS17, this scheme has been treated for disclosure purposes as a defined contribution scheme. The aggregate contributions to the scheme during the year were £13,152. The amount outstanding at the balance sheet date was £nil. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS17 in the consolidated financial statements of Centrica plc, show a total deficit of £165 million (£116 million net of deferred tax). Further details of this valuation can be found in the annual report of Centrica plc.

The liabilities under the pension scheme 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 2001. Since then the company has continued to take actuarial advice and has maintained its current contribution levels.

18 Commitments and contingent liabilities

Capital expenditure

The Company has no contingent liabilities other than those arising in the ordinary course of business.

Contracted future capital expenditure as at 31 December 2001 was £2,377,000 (as at 31 December 2000: £2,068,000).

19 Ultimate holding Company

The Company is a wholly owned subsidiary undertaking of GB Gas Holdings Limited a wholly owned subsidiary undertaking of Centrica plc, a company registered in England, which is the ultimate holding company. Copies of the accounts of Centrica plc are available from the Company Secretary at the following address: Company Secretary, Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.

NOTES TO THE ACCOUNTS (continued)

20 Post balance sheet events

Asset Purchases

During 2002 the Company completed the purchase from Amerada Hess of 6.48% equity interest in the Amethyst field (increasing the Company's equity share in this field to 8.95%), 40% equity interest in the Rose field, and 37.5% equity interest in the Romeo field.

On 26 June 2002, the Company announced it had reached an agreement with subsidiaries of the Eni Group to acquire a package of producing and development stage offshore gas assets in the Central North Sea in exchange for its non-core interests in the Liverpool Bay Fields. As a result, the Company will have 5.58% equity interest in the Armada field, 4.28% interest in the Goldeneye field, and interests in the R-block (Renee 17.26%, Rubie 4.78%, and Rochelle 17.26%, together with Block 21/2 which contains the undeveloped Glenn oil and gas discoveries) on completion of the exchange agreement.

In addition, The Company has purchased 18% interest in the Seymour development from BP.

The above transactions have not been reflected in these accounts.

Increase in Corporation Tax rate

In the Chancellor's April 2002 budget, it was announced that the corporation tax on profits from "ring-fenced" offshore production would increase from 30% to 40%. This higher rate will result in an increase in the deferred tax asset of approximately £5 million.