Registered No: 02855151

Centrica Resources Limited

Annual Report and Financial Statements

For the year ended 31 December 2012

Centrica Resources Limited

Registered No 02855151

Directors
ID Bartholomew
AD Gower-Jones
PI Hedley
C McCallum
GC McKenna
S Sambhi
DR Wilson

Company Secretary
Centrica Secretaries Limited

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
32 Albyn Place
Aberdeen
AB10 1YL

Solicitors
Stronachs
34 Albyn Place
Aberdeen
AB10 1FW

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Resources Limited

Annual Report and Financial Statements for the year ended 31 December 2012

Contents

Centrica Resources Limited

Directors' Report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of Centrica Resources Limited (the "Company") for the year ended 31 December 2012

Principal activities
The principal activities of the Company comprise the exploration, development and production of oil and gas reserves, both as operator of certain fields and as non-operator of others The areas of activity are the United Kingdom and Norwegian sectors of the North Sea and the United Kingdom sector of the Irish Sea, with the majority of production from the Alba, Brae, Buckland and Chiswick fields

Business review
Gas production averaged 93 million cubic feet per day (net) for the year ended 31 December 2012 (2011 107 million cubic feet per day (net)) Oil and liquids production averaged 5,351 barrels per day (net) for the year ended 31 December 2012 (2011 5,917 barrels per day (net)) Oil & liquids oil reserve growth was driven by the acquisition of licenses on the Alba field and upward revisions on East Brae

During the year, the Company continued to develop Block 22 in Trinidad

Future developments
There are no plans to change the nature of activities in the foreseeable future The Company is in a good position to take advantage of any opportunities which may arise in the future

Financial results and dividends
The results of the Company are set out on page 5

The loss for the financial year for the year ended 31 December 2012 is £ 44,522,000 (2011 £38,412,000)

Strong pre-tax profit growth compared to prior year was achieved, in spite of lower revenue during the year, driven by marginally reduced production, in particular on the Buckland field as it reaches the end of its useful life This was achieved largely through cost control, a reduction in depreciation and amortisation expense and lower head office recharges, due to a change in the redistribution method

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2011 £nil)

Financial position
The financial position of the Company is presented in the balance sheet on page 7 Total shareholders' funds at 31 December 2012 were £98,411,000 (2011 £141,827,000)

Going concern
The Directors believe that the going concern basis is applicable for the preparation of the accounts as the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due, for a period of at least 12 months from the date of approval of the financial statements

Principal risks and uncertainties and financial risk management
The Company is a wholly owned subsidiary of Centrica plc From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed on pages 44-50 of the 2012 Annual Report and Accounts of the Group which does not form part of this report

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

Exposure to commodity price risk, counterparty credit risk and liquidity risks arises in the normal course of the Company's business and is managed within parameters set by the Directors

The most significant financial risk facing the Company relates to commodity prices, in particular for gas Commodity price risk is primarily that market prices for commodities will move adversely, thereby potentially reducing expected margins

Principal risks and uncertainties and financial risk management - continued

The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency

The Company uses forward swap contracts to reduce exposure to the variability of oil prices by fixing the price at which oil can be sold

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits Exposure to credit risk is limited predominantly to exposures with other Centrica group companies or exposure to credit risk arising in the normal course of operations as a result of the potential for a customer defaulting on their payable balance In the case of external customers credit risk is managed by checking a company's creditworthiness and financial strength both before commencing to trade and during a business relationship An ageing of receivables is monitored and used to manage the exposure to credit risk

Cash forecasts identifying the liquidity requirements of the Group are produced frequently and reviewed regularly to ensure there is sufficient financial headroom for at least the subsequent 12 month period

Key performance indicators (KPIs)
The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy The development and performance of the Group, which includes the Company, are discussed on pages 18-19 of the 2012 Annual Report and Accounts of the Group which does not form part of this report

Directors
The following served as Directors during the year and up to the date of signing of this report

ID Bartholomew	
AD Gower-Jones	
PI Hedley	
C McCallum	(appointed 16 April 2012)
GC McKenna	
S Sambhi	(appointed 20 May 2013)
DR Wilson	
CT Bird	(resigned 16 April 2012)
SJ Kemp	(resigned 16 April 2012)
JL Roger	(resigned 20 May 2013)
P de Leeuw	(resigned 16 August 2013)

Employees
The Company has no employees (2011 none)

Directors' and officers' liability
Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review The insurance does not provide cover in the event that the Director is proved to have acted fraudulently

Post balance sheet events
There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements

Creditor payment policy
It is the Company's policy to pay all of its creditors in accordance with the policies set out below

i) agree the terms of payment in advance with the supplier,
ii) ensure that suppliers are aware of the terms of payment, and
iii) pay in accordance with contractual and other legal obligations

At 31 December 2012, creditors in respect of invoiced supplies represented 16 days purchases (2011 9 days)

Centrica Resources Limited

Directors' report for the year ended 31 December 2012 - continued

Political and charitable donations
The Company made no political or charitable donations during the year (2011 £nil)

Directors' statement of responsibilities
The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors
Each of the Directors who held office at the date of approval of this Directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office

This report was approved by the board on 25 September 2013

For and on behalf of
Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No 02855151
Registered office
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

Independent Auditors' Report to the Members of Centrica Resources Limited

We have audited the financial statements of Centrica Resources Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Higginson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
25 September 2013

Centrica Resources Limited

Profit and Loss Account for the year ended 31 December 2012

	Note	**2012 £000**	2011 £000
Turnover	2	**482,601**	500,565
Cost of sales		**(275,666)**	(317,798)
Gross profit		**206,935**	182,767
Administrative expenses		**(38,304)**	(80,667)
Operating profit	3	**168,631**	102,100
Interest receivable and similar income	4	**4,153**	-
Interest payable and similar charges	4	**(22,180)**	(15,287)
Profit on ordinary activities before taxation		**150,604**	86,813
Tax on profit on ordinary activities	6	**(195,126)**	(125,225)
Loss for the financial year		**(44,522)**	(38,412)

All activities relate to continuing operations

There is no difference between the profit on ordinary activities before taxation and the loss for the financial years stated above and their historic cost equivalents

A statement of movements in shareholders' funds is shown in note 17

The notes on pages 8 to 18 form part of these financial statements

Centrica Resources Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2012

		2012 £000	2011 £000
Loss for the financial year		**(44,522)**	(38,412)
Unrealised translation gain/(loss)	17	**1,106**	(907)
Total recognised gains and losses relating to the year		**(43,416)**	(39,319)

The notes on pages 8 to 18 form part of these financial statements

Centrica Resources Limited

Balance Sheet as at 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets	7	**43,112**	40,785
Tangible assets	8	**1,425,746**	947,065
Investments	9	**10,001**	10,001
		1,478,859	997,851
Current assets			
Stocks	10	**10,485**	1,295
Debtors (including £192,628,000 (2011 £153,648,000) due after one year)	11	**719,587**	273,691
Cash at bank and in hand		**18,603**	1,413
		748,675	276,399
Creditors: amounts falling due within one year	12	**(1,102,286)**	(458,406)
Net current liabilities		**(353,611)**	(182,007)
Total assets less current liabilities		**1,125,248**	815,844
Provisions for liabilities	13	**(1,026,837)**	(674,017)
Net assets		**98,411**	141,827
Capital and reserves			
Called up share capital	15	**120,000**	120,000
Foreign translation reserve	16	**3,016**	1,910
Profit and loss account	16	**(24,605)**	19,917
Total shareholders funds	17	**98,411**	141,827

The notes on pages 8 to 18 form part of these financial statements

The financial statements on pages 5 to 18 were approved and authorised for issue by the Board of Directors on 25 September 2013 and were signed on its behalf by

PI Hedley
Director

Registered Number 02855151

Centrica Resources Limited

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

a) Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with applicable UK accounting standards and the Companies Act 2006 The accounting policies, where applicable, are in accordance with the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001 The following policies have been applied consistently to the Company's financial statements

b) Going concern

The Directors believe that the going concern basis is applicable for the preparation of the financial statements as the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due, for a period of at least 12 months from the date of approval of the financial statements

c) Exemptions

Consolidated Financial Statements

The Company is exempt from preparing consolidated financial statements under s400 of the Companies Act 2006 Its results are consolidated in the financial statements of Centrica plc, details of which are included in note 20 to these Financial Statements

Cash Flow Statement

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

d) Turnover

Turnover associated with exploration and production sales is recognised when title passes to the customer Turnover from the production of natural gas, oil and condensates in which the Company has an interest with other producers is recognised based on the Company's working interest and the terms of the relevant production sharing arrangements

e) 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

f) Overlift and underlift

Offtake arrangements for oil and gas produced from jointly owned operations are often such that it is not practical for each participant to receive or sell its precise share of the overall production during the period This results in short-term imbalances between cumulative production entitlement and cumulative sales, referred to as overlift and underlift

An overlift payable, or an underlift receivable, is recognised at the balance sheet date within Creditors or Debtors respectively and measured at market value, with movements in the period recognised within cost of sales

Notes to the financial statements for the year ended 31 December 2012 - continued

1 Principal accounting policies - continued

g) Foreign currencies

The financial statements of the Company are presented in sterling The Company's functional currency (local currency) is sterling, with the exception of the foreign branches in the Netherlands and Trinidad & Tobago, whose functional currencies are euro and US dollars respectively Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet

The assets and liabilities of the Company's foreign branch operations are translated into pounds sterling at exchange rates prevailing on the balance sheet date The results of foreign operations are translated into pounds sterling at average rates of exchange for the relevant period Exchange differences arising from the retranslation of the opening net assets and results for the year are transferred to the Company's foreign currency translation reserve, a separate component of equity, and are reported in the Statement of Total Recognised Gains and Losses In the event of the disposal of an operation with assets and liabilities denominated in a foreign currency, the cumulative translation difference arising in the foreign currency translation reserve is charged or credited to the Profit and Loss on disposal

h) Exploration, evaluation and development assets

The Company uses the successful efforts method of accounting for exploration and evaluation expenditure

Exploration and evaluation expenditure associated with an exploration well, including acquisition costs related to exploration and evaluation activities, are capitalised initially as intangible assets Certain expenditures, such as geological and geophysical exploration costs, are expensed If the exploration prospects are determined, on completion of evaluation, to be successful the relevant expenditure, including licence acquisition costs, is transferred to tangible assets If the prospects are subsequently determined to be unsuccessful on completion of evaluation, the associated costs are expensed in the period in which that determination is made

All field development costs are capitalised as tangible assets Such costs relate to the acquisition and installation of production facilities and include development drilling costs, project-related engineering and other technical services costs

i) Intangible fixed assets

Intangible assets, which comprise exploration and evaluation assets, are recognised in the balance sheet at cost Exploration and evaluation assets are not amortised but if, on completion of evaluation, the exploration prospects are determined to be unsuccessful, the associated costs are expensed in the period that the determination is made

j) Tangible fixed assets

Tangible assets are included in the balance sheet at cost, less accumulated depreciation and accumulated impairment losses

Production assets are depreciated from the commencement of production using the unit of production method, based on the proven and probable reserves of those fields Changes in these estimates are dealt with prospectively

k) Fixed asset investments

Fixed asset investments are included in the Balance Sheet at cost, less any provisions for impairment as necessary Investment income is recognised as distributions are received

1 Principal accounting policies – continued

l) Impairment

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's net realisable value less costs to sell and value in use

m) Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning gas production facilities at the end of the producing lives of the fields, based on price levels and technology at the balance sheet date When this provision gives access to future economic benefits, a corresponding decommissioning asset is recognised and is included as part of the associated development or producing asset and depreciated accordingly

Changes in estimates of the cost of decommissioning, and changes to the discount rate, are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset The unwinding of the discount on the provision is included in the Profit and Loss Account within interest payable and similar charges

n) Financial instruments

The Company has entered into forward contracts to economically hedge its foreign exchange exposure on payments made in foreign currency

The Company uses forward swap contracts to reduce exposure to the variability of oil prices by fixing the price at which oil can be sold

Changes in the derivatives' fair value are recognised on an accruals basis of accounting

o) 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

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 recognized in the financial statements Neither is deferred tax recognized when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

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

p) Commercial reserves

Commercial reserves are proved and probable developed and undeveloped oil and gas reserves as defined in the SORP

2 Turnover

Turnover relates to the principal activity of the business and arose in the following locations determined by destination

	2012 £000	2011 £000
Continuing operations:		
UK	**396,234**	496,811
Norway	**3,365**	1,981
Netherlands	**81,956**	1,169
USA	**1,046**	185
Hungary	**-**	419
	482,601	500,565

The entity has not disclosed segmental information as the directors feel this would be seriously prejudicial to the Company's interests

3 Operating profit

Operating profit is stated after charging / (crediting)

	2012 £000	2011 £000
Depreciation and amortisation (note 8)	**132,936**	185,107
Impairment write back intangible assets	**-**	(44)
Foreign exchange loss / (gain) arising on operating activities	**380**	(1,581)
Auditors' remuneration - audit fees	**50**	50

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory financial statements of Centrica Resources Limited and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of Centrica Resources Limited

4 Interest

	2012 £000	2011 £000
Interest receivable and similar credits:		
Exchange gain on foreign currency borrowings	**4,153**	-
	4,153	-

	2012 £000	2011 £000
Interest payable and similar charges.		
Notional interest arising on discounted items (note 13)	**9,856**	10,587
Other interest payable	**-**	271
Interest payable due to Group undertakings	**12,324**	4,429
	22,180	15,287

Centrica Resources Limited

Notes to the financial statements for the year ended 31 December 2012 - continued

5 Directors and employees

i) Directors' remuneration for services to this company

a) The aggregate emoluments paid to directors in respect of their qualifying services were £499,159 (2011 £691,603)
b) The aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services were £49,693 (2011 £54,821)
c) There was 1 director (2011 5) to whom retirement benefits are accruing under a defined benefit pension schemes
d) There were 9 directors (2011 7) to whom retirement benefits are accruing under money purchase pension schemes
e) There were 8 directors (2011 5) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme
f) There were 2 directors (2011 2) who exercised share options relating to the ultimate parent company
g) The highest paid director received emoluments of £80,467 (2011 £107,795) and the company contributed £8,225 (2011 £14,912) to their pension scheme
h) In both the current and prior year the highest paid director received shares in respect of qualifying services under a long-term incentive scheme
i) In both the current and prior year the highest paid director has not exercised share options relating to the ultimate parent company
j) The highest paid director is accruing retirement benefits under a money purchase pension scheme

ii) Employee costs and numbers

The Company does not have any direct employees

6 Tax on profit on ordinary activities

	2012 £000	2011 £000
Current tax.		
- UK corporation tax at 24 5% (2011 26 5%) based on the profit for the year	-	17,607
- Supplemental upstream taxes at 37 5% (2011 32 8%)	-	23,287
- Adjustments in respect of prior years	**34,425**	874
Total current tax	**34,425**	41,768
Deferred tax.		
- Deferred petroleum revenue tax (PRT) charge	**14,611**	46,162
- Origination and reversal of timing differences	**148,566**	34,467
- Adjustments in respect of prior periods	**(2,476)**	2,828
Total deferred tax	**160,701**	83,457
Total tax on profit on ordinary activities	**195,126**	125,225

The tax assessed for this year is lower (2011 higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2012 of 24 5% (2011 26 5%) The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	**150,604**	86,813
Tax on profit on ordinary activities at standard UK corporation tax rate of 24 5% (2011 26 5%)	**36,898**	23,005
Effects of		
Net expenses/(non-taxable income) not deductible/chargeable for tax purposes	**(1,533)**	1,944
Utilisation of timing differences	**13,022**	12,377
Capital allowances in excess of depreciation	**(63,246)**	(12,589)
Movement on deferred PRT provision	**(3,165)**	(14,630)
Additional charges applicable to upstream profits	-	23,287
Group relief for nil consideration (received)/surrendered	**18,024**	(4,160)
UK UK transfer pricing adjustment	-	11,660
Adjustments in respect of prior years	**34,425**	874
Current tax charge for the year	**34,425**	41,768

A number of further changes to the UK corporation tax system were announced in the March 2012 and 2013 UK Budget Statements Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 Further reductions to the main rate were enacted in the Finance Act 2013 to reduce the rate to 20% by April 2015 These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements There was no change to the ring fence corporation tax rate of 30% or the supplementary charge rate of 32% The reduction of 12% to the rate of relief available from decommissioning expenditure against the supplementary charge effective from 21 March 2012 was enacted under Finance Act 2012 Except for the reduction in the main rate of corporation tax to 23% from 1 April 2013, and the reduction in the rate of relief for decommissioning expenditure, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The impact of the proposed further reductions on the deferred tax balances is not expected to have a material impact

7 Intangible fixed assets

	Exploration assets £000
As at 1 January 2012	53,567
Additions	2,327
As at 31 December 2012	**55,894**
Amortisation and impairment	
As at 1 January 2012 & 31 December 2012	**12,782**
Net book value as at 31 December 2012	**43,112**
Net book value as at 31 December 2011	40,785

8 Tangible fixed assets

	Assets under construction £000	Production assets £000	Total £000
Cost			
As at 1 January 2012	159,657	2,093,692	2,253,349
Additions	197,238	235,439	432,677
Transfers	(45,551)	45,551	-
Revision of abandonment estimate (note 13)	-	181,474	181,474
Revaluation of foreign currency balances	-	(8,791)	(8,791)
As at 31 December 2012	**311,344**	**2,547,365**	**2,858,709**
Depreciation and amortisation			
As at 1 January 2012	-	1,306,284	1,306,284
Charge	-	132,936	132,936
Revaluation of foreign currency balances	-	(6,257)	(6,257)
As at 31 December 2012	**-**	**1,432,963**	**1,432,963**
Net book value as at 31 December 2012	**311,344**	**1,114,402**	**1,425,746**
Net book value as at 31 December 2011	159,657	787,408	947,065

The net book value of the asset associated with the Company's decommissioning costs at 31 December 2012 was £303,258,000 (2011 £156,890,000)

9 Fixed asset investment

	Investment in partnership undertaking £000
Cost and Net Book Value	
As at 1 January and 31 December 2012	**10,001**

Fixed asset investment comprises an interest in the Centrica Gas Production Limited Partnership This partnership has the objective of carrying on the business of extraction, production and sale of oil and gas The partnership is a qualifying partnership under the Partnerships and Unlimited Companies (Accounts) Regulations of 1993

The above investment is a capital contribution of £10,001,000 to the Centrica Gas Production Limited Partnership

The directors believe that the carrying value of the investments is supported by their underlying net assets

10 Stocks

	2012 £000	2011 £000
Operational spares and consumables	**10,485**	1,295

11 Debtors

	2012 £000	2011 £000
Amounts falling due within one year:		
Trade debtors	**6,892**	10,316
Amounts owed by group undertakings	**458,430**	51,411
Other debtors	**228,194**	153,993
Prepayments and accrued income	**26,071**	19,808
Taxation	**-**	38,163
	719,587	273,691

Other debtors includes deferred PRT of £192,628,000 (2011 £153,648,000) falling due after more than a year

With the exception of the deferred PRT, all debtors are due within one year Debtors are made up of 100% (2011 100%) of balances that are not overdue as the payment terms established with the Company's customers have not been exceeded All debtors are dominated in GBP

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

12 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	**6,529**	3,294
Amounts owed to group undertakings	**978,533**	397,882
Corporation Tax	**19,509**	-
Taxation and social security	**22,184**	5,854
Accruals and deferred income	**75,531**	51,376
	1,102,286	458,406

The amounts payable to Group undertakings include an intercompany loan of £511,595,000 (2011 £20,086,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds The quarterly rates ranged between 3 28% and 3 51% per annum during 2012 (2011 1 71% and 2 71%) Other amounts due to group undertakings include an intercompany loan of £201,524,000 (2011 £176,798,000), which is unsecured, repayable on demand and bears interest at LIBOR plus 50 basis points The remaining amounts payable to Group undertakings are interest-free All amounts payable to Group undertakings are unsecured and repayable on demand

13 Provision for liabilities

	Deferred tax (note 14) £000	Decommissioning costs £000	Other £000	Total £000
As at 1 January 2012	296,224	375,319	2,474	**674,017**
Revisions (note 8)	-	181,474	-	**181,474**
Profit and loss charge	160,701	9,856	789	**171,346**
As at 31 December 2012	**456,925**	**566,649**	**3,263**	**1,026,837**

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 2013 and 2040 The revision in the year is due to a change in the estimate for gas field abandonment costs The profit and loss charge includes £9,856,000 (2011 £10,587,000) of notional interest

A discount rate of 2 2% (2011 2 2%) is used to calculate the provision

Other

The provision relates to contingent consideration regarding the Newfield acquisition in 2007 Payments are expected to be made in 2013

Notes to the financial statements for the year ended 31 December 2012 - continued

14 Deferred taxation

Movement on the deferred corporation tax liability in the period is analysed below

	As at 1 January 2012 £000	Profit and loss charge £000	**As at December 2012 £000**
Accelerated capital allowances	342,211	152,232	**494,443**
Deferred PRT	95,311	14,611	**109,922**
Decommissioning	(139,767)	(5,907)	**(145,674)**
Other timing differences	(1,531)	(235)	**(1,766)**
	296,224	160,701	**456,925**

Deferred corporation tax liability at 62% (at 31 December 2011 62%) is analysed as follows

	Amounts provided		**Potential amounts uprovided**	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Accelerated capital allowances	**494,443**	342,211	-	-
Deferred PRT	**109,922**	95,311	-	-
Decommissioning	**(145,674)**	(139,767)	-	-
Other timing differences	**(1,766)**	(1,531)	-	-
	456,925	296,224	-	-

15 Called up share capital

	2012 £000	2011 £000
Allotted, called up and fully paid:		
120,000,000 (2011 120,000,000) ordinary shares of £1 each	**120,000**	120,000

16 Reserves

	Foreign translation reserve £000	**Profit and loss account £000**	**Total £000**
At 1 January 2012	1,910	19,917	21,827
Loss for the year	-	(44,522)	(44,522)
Unrealised translation loss	1,106	-	1,106
At 31 December 2012	**3,016**	**(24,605)**	**(21,589)**

Centrica Resources Limited

Notes to the financial statements for the year ended 31 December 2012 - continued

17 Reconciliation of movements in shareholder funds

	2012 £000	2011 £000
At 1 January	**141,827**	181,146
Loss for the year	**(44,522)**	(38,412)
Translation reserve	**1,106**	(907)
As at 31 December	**98,411**	141,827

18 Financial Instruments

In accordance with Statutory Instrument 2008/410 of the Companies Act 2006, as the Company has not implemented FRS 26 (Financial Instruments Recognition and Measurement) The fair values of the Company's financial instruments are analysed below

	2012 £000	2011 £000
Derivative financial instruments		
Energy derivatives	**(5,116)**	(4,654)
Foreign exchange derivatives	**5,357**	(4,513)
	241	(9,167)

19 Commitments and contingent liabilities

The Company has contingent liabilities of £3,283,877 (2011 £1,913,012) in relation to the purchase of exploration licenses in Trinidad

Contracted future capital expenditure as at 31 December 2012 on the redevelopment of existing fields is £3,600,000 (2011 £16,457,237)

20. Ultimate parent undertaking

The Company's immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales

The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales, which is the largest and smallest group to consolidate the financial statements of Centrica Resources Limited Copies of the financial statements of Centrica plc are available from www centrica com

Gas & Liquid Reserves (unaudited)

The Company's estimates of reserves of gas and liquids are reviewed as part of the half-year and full-year reporting process and updated accordingly A number of factors affect the volumes of gas and liquids reserves, including the available reservoir data, commodity prices and future costs Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available

The Group discloses proven and probable gas and liquids reserves, representing management's estimate of future hydrocarbon recovery Reserves for fields operated by the Company are estimated by in-house technical teams composed of geoscientists and reservoir engineers Reserves for non-operated fields are estimated by the operator, but are subject to internal review and challenge

As part of the internal control process related to reserves estimation, an audit of the reserves, including the application of the reserves definitions, is undertaken by an independent technical auditor Reserves are estimated in accordance with a formal policy and procedure standard

Estimated net proven and probable reserves of gas (billion cubic feet)

	2012 UK	2011 UK
As at 1 January	**381 5**	285 9
Revisions of previous estimates	**7 0**	134 5
Production	**(34 0)**	(38 9)
As at 31 December	**354.5**	381 5

Estimated net proven and probable reserves of liquids (million barrels of oil equivalent)

	2012 UK	2011 UK
As at 1 January	**8.5**	8 4
Revisions of previous estimates	**6.2**	2 2
Production	**(2 0)**	(2 1)
As at 31 December	**12 7**	**8 5**

Liquids reserves include condensate, propane butane and oil