

**CENTRICA RESOURCES LIMITED**

**REPORT AND ACCOUNTS**

**FOR YEAR ENDED**

**31 DECEMBER 2003**

**REGISTERED NO: 2855151**



## **Centrica Resources Limited**

### **DIRECTORS' REPORT**

The Directors present their report and audited financial statements of Centrica Resources Limited ("the Company") for the year ended 31 December 2003.

#### **Principal activities**

The principal activities of the Company comprise the exploration, 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 £15,499,000 for year ended 31 December 2003 (8 months ended 31 December 2002: £366,000). The loss on ordinary activities after taxation for the year ended 31 December 2003 was £19,666,000 (8 months ended 31 December 2002: £10,931,000).

Oil production averaged 1,181 barrels per day (net) for the year ended 31 December 2003 (8 months ended 31 December 2002: 4,254 barrels per day (net)). Gas production averaged 76.97 million cubic feet per day (net) for the year ended 31 December 2003 (8 months ended 31 December 2002: 68.24 million cubic feet per day (net)).

The Company continues to build on its equity interests in oil and gas reserves. Details of the significant acquisitions 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 2003 (8 months ended 31 December 2002: £nil).

## Centrica Resources Limited

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

#### Directors

The following served as directors during the year ended 31 December 2003:

David Clarke	resigned 17 September 2003
Michael John Garstang	
Anthony Henshaw	
Jacob Shield Ulrich	
Sarwjit Sambhi	appointed 17 September 2003

On 2<sup>nd</sup> February 2004 Anthony Charles Henshaw resigned as a director and on the same date Alan Bennett and Peter Cole were appointed as directors.

#### Directors' interests

At no time during the year ended 31 December 2003, 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 period (which include those of their families), and who were holding office at the period end are as follows:

#### Interests in ordinary shares

	As at 1 January 2003	As at 31 December 2003
David Clarke	40,891	68,086
Michael Garstang	246	246
Anthony Henshaw	476	476
Jacob Ulrich	491,495	512,588

The figures above include shares appropriated under the terms of the Centrica profit sharing scheme, and shares held under the Centrica share incentive plan (SIP).

**Centrica Resources Limited**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)**

**Sharesave scheme**

	<b>As at 1 January 2003</b>	<b>Granted during the period</b>	<b>Exercised during the period</b>	<b>Lapsed during the period</b>	<b>As at 31 December 2003</b>
David Clarke	10,799	8,823	3,741	7,058	8,823
Anthony Henshaw	7,580	8,823	-	7,580	8,823
Jacob Ulrich	-	8,823	-	-	8,823

Options over shares in Centrica plc granted in June 1998, June 2000, April 2001, April 2002 and April 2003 were at an option price of 92.2, 202.6, 191.0, 177.6 and 107.1 pence per share respectively.

**Long term incentive scheme**

	<b>As at 1 January 2003</b>	<b>Granted during the period</b>	<b>Exercised during the period</b>	<b>Lapsed during the period</b>	<b>As at 1 December 2003</b>
David Clarke	184,417	45,608	38,330	11,811	179,884
Michael Garstang	68,851	31,739	-	7,086	93,504
Anthony Henshaw	114,378	43,065	-	-	157,443
Sarwjit Sambhi	83,840	67,846	-	-	151,686
Jacob Ulrich	1,003,903	239,064	272,572	56,094	914,301

Notional allocations of shares were made on 1 April 2002 at a base price of 224.7 pence. Figures as at 31 December 2003 shown above include notional allocations of shares subject to performance conditions and for David Clarke 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 year).

## Centrica Resources Limited

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

#### Executive share option scheme

	As at 1 January 2003	Granted during the period	As at 31 December 2003
David Clarke	102,176	83,219	185,395
Sarwjit Sambhi	82,295	126,193	208,488
Jacob Ulrich	724,439	593,451	1,317,890

Options were granted on 31 May 2001 and 2 April 2002 under the terms of the Centrica Executive Share Option Scheme at an option price of 240.05 and 224.8 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 and Share incentive plan. Details of these schemes can be found in the accounts of Centrica plc.

The closing price of a Centrica ordinary share on the last trading day of 2003 (31 December) was 211.0 pence. The range during the year ended 31 December 2003 was 212.75 pence (high) and 131.5 pence (low).

#### Creditor payment policy

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

- i) agree the terms of the payment at the start of business with that supplier;
- ii) ensure that suppliers are aware of the terms of payment; and
- iii) pay in accordance with contractual and other legal obligations.

#### 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.

**Centrica Resources Limited**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)**

**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.

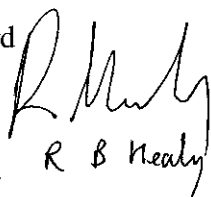
**Directors' insurance**

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

**Auditors**

PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed as auditors of the company.

By order of the Board



R B Nealy

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

Date: 27 October 2004

Registered Office:

Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Resources Limited**

### **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 year and of the profit or loss for the financial year.

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 SHAREHOLDER OF CENTRICA RESOURCES LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

#### **Respective responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

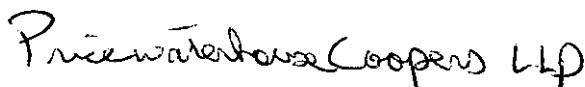
#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London WC2N 6RH  
Date: 27 October 2004

**Centrica Resources Limited**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Year ended 31 December 2003 £'000	8 Months ended 31 December 2002 £'000
Turnover	3	76,782	55,366
Cost of sales		<u>(61,283)</u>	<u>(55,000)</u>
<b>Operating profit</b>		15,499	366
Profit on sale of fixed assets		417	13,478
Other interest receivable and similar income	5	-	25
Interest payable and similar charges	5	<u>(11,449)</u>	<u>(8,772)</u>
<b>Profit on ordinary activities before taxation</b>	4	4,467	5,097
Tax on profit on ordinary activities	6	<u>(24,133)</u>	<u>(16,028)</u>
<b>Retained loss for the financial period</b>		<u>(19,666)</u>	<u>(10,931)</u>

All activities relate to continuing operations.

There were no recognised gains and losses other than those shown above.

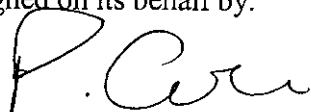
The notes on pages 10 to 23 form part of these financial statements.

**Centrica Resources Limited**

**BALANCE SHEET AS AT 31 DECEMBER 2003**

	Note	As at 31 December 2003 £'000	As at 31 December 2002 £'000
<b>Fixed assets</b>			
Tangible fixed assets	7	208,674	172,392
<b>Current assets</b>			
Stocks	8	-	227
Debtors (amount falling due within one year)	9	4,413	112,912
Debtors (amount falling due after more than one year)	9	<u>-</u>	<u>33,717</u>
		4,413	146,856
<b>Creditors (amounts falling due within one year)</b>	10	<u>(87,318)</u>	<u>(173,767)</u>
<b>Net current (liabilities)/assets</b>		<u>(82,905)</u>	<u>(26,911)</u>
<b>Total assets less current liabilities</b>		125,769	145,481
<b>Creditors (amounts falling due after more than one year)</b>	11	(27,238)	(28,750)
<b>Provisions for liabilities and charges</b>	12	<u>(54,022)</u>	<u>(52,556)</u>
<b>Net assets</b>		<u>44,509</u>	<u>64,175</u>
<b>Capital and reserve – equity interests</b>			
Called up share capital	14	120,000	120,000
Profit and loss account	15	<u>(75,491)</u>	<u>(55,825)</u>
<b>Shareholder funds</b>	16	<u>44,509</u>	<u>64,175</u>

The accounts on pages 8 to 23 were approved by the Board of Directors on 27 October 2004 and were signed on its behalf by:



Peter Cole (Director)

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

## **Centrica Resources Limited**

### **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. In accordance with the transitional arrangements of FRS 17, "Retirement Benefits", additional disclosures are contained in the notes to the financial statements. The accounting policies, where applicable, are materially in accordance with the SORP issued by the Oil Industry Accounting Committee entitled Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities.

#### **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.

## Centrica Resources Limited

### NOTES TO THE ACCOUNTS (continued)

#### 1 Principal accounting policies (continued)

**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. All other exchange movements are dealt with through the profit and loss account.

**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.

## Centrica Resources Limited

### 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.

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.

## Centrica Resources Limited

### 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 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.

**l) Employee Sharesave Scheme**

The cost of qualifying employee share schemes is accounted for using the market price at each balance sheet date, less the option price of shares being purchased. The cost of the scheme is recognised over the life of the scheme. Any changes in the cost of the schemes resulting from changes in the market price of the shares at the balance sheet dates are pro-rated over the remaining life of the scheme.

#### 2 Accounting Reference Date

Through a Directors' resolution dated 4 March 2003, the accounting reference date was changed from 30 April to 31 December. As a result, the accounting reference period applicable to the financial results of the prior period is for the eight months from 1 May 2002 to 31 December 2002.

# 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 £nil for the year ended 31 December 2003 (8 months ended 30 April 2002: £11,558,000) related to exports to the rest of Europe, and £nil for the year ended 31 December 2003 (8 months ended 31 December 2002: £5,715,000) related to exports to the United States of America. Exports in 2002 were due to oil sales from the Liverpool Bay field which was sold in November 2002.

### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2003 £'000	8 months ended 31 December 2002 £'000
Depreciation and amortisation	25,933	27,688
Auditors' remuneration – audit fees	<u>24</u>	<u>21</u>

#### i) Directors' remuneration

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

	Year ended 31 December 2003 £'000	8 months ended 31 December 2002 £'000
Aggregate emoluments	<u>185</u>	<u>91</u>

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

Under the Centrica plc Group long term incentive scheme, five Directors 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 2003 £'000	8 months ended 31 December 2002 £'000
Wages and salaries	777	704
Social security costs	95	58
Other pension costs	<u>66</u>	<u>66</u>
	<u>938</u>	<u>828</u>

iii) Employee numbers

The average number of employees during the year ended 31 December 2003 was 11 (8 months ended 31 December 2002: 11).

**5 Interest**

	Year ended 31 December 2003 £'000	8 months ended 31 December 2002 £'000
i) Other interest receivable and similar income		
Other interest receivable	<u>-</u>	<u>25</u>
ii) Interest payable and similar charges		
Interest payable on loans from parent company	(6,586)	(5,152)
Notional interest arising on discounted items	(4,403)	(3,569)
Other interest payable	<u>(460)</u>	<u>(51)</u>
	<u>(11,449)</u>	<u>(8,772)</u>

**Centrica Resources Limited**

**NOTES TO THE ACCOUNTS (continued)**

**6 Taxation on profit on ordinary activities**

	Year ended 31 December 2003 £'000	8 months ended 31 December 2002 £'000
Current tax:		
UK corporation tax at 40%	-	8,853
- Adjustments in respect of prior periods	<u>(8,853)</u>	<u>-</u>
Total current tax	(8,853)	8,853
Deferred tax:		
- Deferred petroleum revenue tax (PRT) relief	(690)	422
- Other timing differences	21,833	10,873
- Adjustments in respect of prior periods	<u>11,843</u>	<u>(4,120)</u>
Taxation charge/(credit)	<u>24,133</u>	<u>16,028</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 2003 £'000	8 months ended 31 December 2002 £'000
Profit on ordinary activities before tax	<u>4,467</u>	<u>5,097</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	1,340	1,529
Effects of:		
- Expenses not deductible for tax purposes	553	-
- Utilisation of timing differences	(1,668)	1,634
- Depreciation in excess of capital allowances	(5,577)	3,138
- Movement on deferred PRT provision	518	(317)
- Supplementary charge on ring-fenced offshore gas production	-	2,869
- Group Relief	4,834	
- Adjustments to tax charge in respect of previous periods	<u>(8,853)</u>	<u>-</u>
Current tax charge for the period	<u>(8,853)</u>	<u>8,853</u>

**Centrica Resources Limited**

**NOTES TO THE ACCOUNTS (continued)**

**7 Fixed assets**

	<b>Exploration Development &amp; Production £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
As at 1 January 2003	286,833	406	287,239
Additions	58,363	-	58,363
Acquisitions	8,820	-	3,028
Disposals	(5,252)	-	-
Revision of abandonment estimate	<u>824</u>	<u>-</u>	<u>824</u>
As at 31 December 2003	<u>349,048</u>	<u>406</u>	<u>349,454</u>
<b>Depreciation and amortisation</b>			
As at 1 January 2003	114,441	406	114,847
Charge for the period	25,933	-	25,933
Disposals	-	-	-
As at 31 December 2003	<u>140,374</u>	<u>406</u>	<u>140,780</u>
Net book value as at 31 December 2003	<u>208,674</u>	<u>-</u>	<u>208,674</u>
Net book value as at 31 December 2002	<u>172,392</u>	<u>-</u>	<u>172,392</u>

Included within exploration, development and production assets at 31 December 2003 are costs of £16,396,000 (As at 31 December 2002: £47,123,000) pending determination. The net book value of the Company's decommissioning costs at 31 December 2003 were £6,071,000 (As at 31 December 2002: £9,397,000)

**8 Stocks**

	<b>As at 31 December 2003 £'000</b>	<b>As at 31 December 2002 £'000</b>
Other raw materials and consumables	<u>-</u>	<u>227</u>
	<u>-</u>	<u>227</u>

**Centrica Resources Limited**

**NOTES TO THE ACCOUNTS (continued)**

**9 Debtors**

	As at 31 December 2003 £'000		As at 31 December 2002 £'000	
Amounts falling due	within one year	after one year	within one year	after one year
Trade debtors	-	-	1,028	-
Amount due from group undertaking	656	-	109,528	-
Other debtors	3,040	-	-	-
Prepayments and accrued income	(14)	-	2,356	-
Deferred corporation tax asset	<u>731</u>	-	-	<u>33,717</u>
	<u>4,413</u>	-	<u>112,912</u>	<u>33,717</u>

**10 Creditors (amounts falling due within one year)**

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Amounts owed to group undertakings	57,610	136,554
Overdraft	130	
Taxation and social security	1,073	18,514
Other creditors	6,097	1,581
Accruals and deferred income	<u>22,408</u>	<u>17,118</u>
	<u>87,318</u>	<u>173,767</u>

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

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Deferred income	25,058	27,320
Amounts owed to group undertakings	<u>2,178</u>	<u>1,430</u>
	<u>27,238</u>	<u>28,750</u>

# 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 1 January 2003	9,450	43,087	19	52,556
Acquisition and disposals		(2,316)		(2,316)
Revisions	-	824	-	824
Profit and loss charge	6,529	1,220	12	7,761
Utilised in the period	(4,803)	-	-	(4,803)
As at 31 December 2003	<u>11,176</u>	<u>42,815</u>	<u>31</u>	<u>54,022</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 2006 and 2040. The revision in the year is due to an increase in the estimate for gas field abandonment costs. The profit and loss charge includes £1,220,000 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.

# Centrica Resources Limited

## 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 asset in the period is analysed below:

	As at 1 January 2003 £000	Profit and loss charge/(credit) £'000	As at 31 December 2003 £'000
Deferred corporation tax			
- accelerated capital allowances	(17,197)	19,278	2,081
- deferred PRT	(3,781)	3,781	-
- other timing differences	<u>(12,739)</u>	<u>9,927</u>	<u>(2,812)</u>
	<u>(33,717)</u>	<u>32,986</u>	<u>(731)</u>

Deferred corporation tax asset at 40% (at 31 December 2003: 40%) is analysed as follows:

	Provided		Unprovided	
	As at 31 December 2003 £'000	As at 31 December 2002 £'000	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Deferred corporation tax				
- accelerated capital allowances	2,081	(17,197)	-	-
- deferred PRT	-	(3,781)	(4,471)	-
- other timing differences	<u>(2,812)</u>	<u>(12,739)</u>	<u>(25,266)</u>	<u>(17,235)</u>
	<u>(731)</u>	<u>(33,717)</u>	<u>(29,737)</u>	<u>(17,325)</u>

**Centrica Resources Limited**

**NOTES TO THE ACCOUNTS (continued)**

**14 Share capital**

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
<b>Authorised:</b>		
500,000,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
<b>Allotted, called up and fully paid:</b>		
120,000,000 ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>

**15 Reserves**

	Profit and loss account 2003 £'000
At beginning of period	(55,825)
Transfer from profit and loss account for the period	<u>(19,666)</u>
At end of period	<u>(75,491)</u>

**16 Reconciliation of movements in shareholder funds**

	31 December 2003 £'000	31 December 2002 £'000
Loss for the period	(19,666)	(10,931)
Shareholder funds at the beginning of the period	<u>64,175</u>	<u>75,106</u>
Shareholder funds at the end of the period	<u>44,509</u>	<u>64,175</u>

## **Centrica Resources Limited**

### **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 2003 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 scheme 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 £116,540 (8 months ended 31 December 2002: £91,988). The amount outstanding at the balance sheet date was £nil (at 31 December 2002: £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 £404 million (£282 million net of deferred tax) (at 31 December 2002: £317 million (£222 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 2003 was £3,299,000 (as at 31 December 2002: £1,828,000).

#### **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.

## **Centrica Resources Limited**

### **NOTES TO THE ACCOUNTS (continued)**

#### **20 Post balance sheet events**

On 1 April 2004 CRL acquired a 33.33 per cent interest in the UK Statfjord oil and gas field from Chevron Texaco for a total consideration of £42.9m.

In March 2004 the Rose field suffered water breakthrough into the well, resulting in the well being shut-in. Due to the water ingress it is anticipated that the maximum recoverable gas volume will be substantially less than the amount predicted at the end of 2003. Therefore write-off costs of £50 million have been charged to the P&L in 2004.

## Centrica Resources Limited

### GAS & LIQUID RESERVES (unaudited)

The principal fields in the UK are Galleon and Armada.

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

UK

As at 1 January 2003	366
Revisions of previous estimates	
Purchases of reserves in place	12
Production	(35)
Sales of reserves in place	<u>(5)</u>
As at 31 December 2003	<u>338</u>

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

UK

As at 1 January 2003	2
Revisions of previous estimates	4
Purchases of reserves in place	3
Production	(1)
Sales of reserves in place	<u>-</u>
As at 31 December 2003	<u>8</u>

Liquids reserves includes condensate, propane butane and oil.