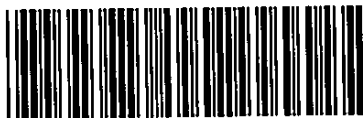


Registered Number: 04217941

Centrica Energy Operations Limited

**Annual report and Financial Statements
For the year ended 31 December 2011**

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Centrica Energy Operations Limited

Annual report and Financial Statements for the year ended 31 December 2011

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Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2011

The Directors present their report and the audited financial statements of Centrica Energy Operations Limited ("the Company") for the year ended 31 December 2011

Principal activities

The principal activity of the Company is the employment of power station employees and the recharge of the associated cash costs to the stations where they perform those services, namely those owned by Centrica KL Limited, Centrica PB Limited, Centrica Brigg Limited, Centrica Barry Limited, Centrica RPS Limited, Centrica KPS Limited, Centrica SHB Limited and Centrica Langage Limited

Business review

During the year the Company continued to employ power station employees, pay salaries and recharge the costs. There are no plans to change the nature of activities in the foreseeable future.

Future developments

A similar trading profile to 2011 is expected in the coming year.

Financial risk management

The principal risks and uncertainties are integrated with the principal risks of the Centrica plc group ("the Group") and are not managed separately. The principal risks of the Group are set out on pages 36-40 of the 2011 annual report and accounts of the Group which does not form part of this report.

Key performance indicators

The Directors of the Group use a number of key performance indicators to monitor progress against the Group's strategy. The development and performance of the Group, which includes the Company, are discussed on pages 12-13 of the 2011 annual report and accounts of Centrica plc which does not form part of this report.

Results and dividends

The results of the Company are set out on page 4.

The profit on ordinary activities after taxation for the year ended 31 December 2011 is £1,025,000 (2010: loss of £33,000). No dividends were paid on the ordinary shares for the year ended 31 December 2011 (2010: £nil). The Directors do not recommend the payment of a final dividend (2010: £nil).

Financial position

The financial position of the Company is presented in the balance sheet on page 5. The shareholders' funds at 31 December 2011 were £2,388,000 (2010: £1,132,000).

Directors

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

Graeme Collinson
Sarwjit Sambhi
John Watts
Thomas Hinton
Simon Merriweather (appointed 2 March 2012)

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.

Employees

The policies of the Group, which includes the Company, concerning employee engagement, diversity and inclusion are discussed on page 35 of the 2011 annual report and accounts of the Group, which does not form part of this report.

Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2011 (continued)

Creditor payment policy

It is the Company's policy to pay all of its creditors in accordance with the policies set out below. Special contractual terms apply for gas and electricity supplies. For all other trade creditors, it is the Company's policy to

- 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

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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 and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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.

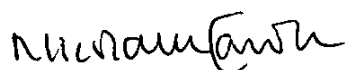
Disclosure of information to auditors

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.

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 27 June 2012.



For and on behalf of
Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 04217941

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Energy Operations Limited

Independent auditors' report to the members of Centrica Energy Operations Limited

We have audited the financial statements of Centrica Energy Operations Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet 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 2 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 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 2011 and of its profit 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, 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



Richard Bunter (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hull
29 June 2012

Centrica Energy Operations Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	3	23,755	26,821
Cost of sales		(22,624)	(26,821)
Gross profit		<u>1,131</u>	<u>-</u>
Administrative expenses		-	-
Operating profit	4	<u>1,131</u>	<u>-</u>
Interest payable and similar charges	7	(76)	(58)
Profit / (loss) on ordinary activities before taxation		<u>1,055</u>	<u>(58)</u>
Tax on profit / (loss) on ordinary activities	8	(30)	25
Profit / (loss) for the financial year	13	<u><u>1,025</u></u>	<u><u>(33)</u></u>

The Company has no recognised gains or losses other than the profit / (loss) above, and therefore no separate statement of total recognised gains and losses has been presented

There are no differences between the profit / (loss) on ordinary activities before taxation and the profit / (loss) for the years stated above and their historical cost equivalents

All results relate to continuing operations

The notes on pages 6 to 15 form part of these financial statements

Centrica Energy Operations Limited

Balance sheet as at 31 December 2011

	Note	2011 £000	2010 £000
Current assets			
Debtors	9	2,882	1,784
Creditors - amounts falling due within one year	11	(494)	(652)
Net current assets		<u>2,388</u>	<u>1,132</u>
Total assets less current liabilities		<u>2,388</u>	<u>1,132</u>
Net assets		<u>2,388</u>	<u>1,132</u>
Capital and reserves			
Called up share capital	12	-	-
Other reserves	13	1,311	1,080
Profit and loss account	13	<u>1,077</u>	<u>52</u>
Total shareholders' funds	14	<u>2,388</u>	<u>1,132</u>

The notes on pages 6 to 15 form part of these financial statements

The financial statements on pages 4 to 15 were approved and authorised for issue by the Board of Directors on 27 June 2012 and were signed on its behalf by


Thomas Hinton
 Director

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011

1. Statement of accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and the applicable United Kingdom accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Turnover principally relates to the recharge of employment costs to other Group companies.

Pensions and other retirement benefits

The Company's employees participate in a number of the Group's defined benefit pension schemes. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore accounts for the schemes as if they were defined contribution schemes. The charge to the profit and loss account is equal to the contributions payable to the schemes in the accounting period, which are based on pension costs across the Group as a whole. The pension disclosures for the entire Centrica group are disclosed in note 29 to the Centrica plc 2011 Annual Report and Accounts.

Share-based payments

The Company accounts for share-based payments under FRS20 "Share based payments". The Centrica plc group, to which the Company belongs, has a number of employee share schemes, detailed in the Remuneration Report on pages 52 to 63 of the Centrica plc 2011 Annual Report and Accounts, under which it makes equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non-market-based vesting conditions). The fair value determined at the grant date is expensed on a straight-line basis together with a corresponding increase in equity over the vesting period, based on the Centrica plc group's estimate of the number of awards that will vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using methods appropriate to each of the different schemes as follows:

- Sharesave Black-Scholes
- All other schemes: Market value on the date of grant

Deferred taxation

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

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

Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it can be regarded as more likely than not that future taxable profits will be available against which the unused tax losses can be utilised.

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

2. Cash flow statements and related party disclosures

The Company is a wholly-owned subsidiary of GB Gas Holdings Limited and is included in the consolidated financial statements of Centrica plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements". The Company is also exempt under the terms of Financial Reporting Standard 8 "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

3. Turnover

All turnover relates to the principal activity of the business and occurs wholly in the United Kingdom.

4. Operating profit

	2011 £000	2010 £000
Operating profit is stated after charging:		
Staff costs (note 6)	<u>22,624</u>	<u>26,821</u>

Auditors' remuneration totalling £5,700 (2010: £6,000) relates to fees for the audit of the UK GAAP statutory accounts of Centrica Energy Operations 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 Energy Operations Limited. The auditors' remuneration is borne by the Power stations.

5. Directors' emoluments

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Centrica plc subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6. Employee information

The average monthly number of persons employed by the Company during the year was 320 (2010 394). The employees have contracts of employment with the Company. Employee costs incurred are recharged to Centrica KL Limited, Centrica PB Limited, Centrica Brigg Limited, Centrica KPS Limited, Centrica RPS Limited, Centrica Barry Limited, Centrica Langage Limited and Centrica SHB Limited. These are all 100%-owned companies within the Centrica plc group.

Staff costs comprise:

	2011	2010
	£000	£000
Wages and salaries	15,703	16,566
Social security costs	1,859	1,799
Share-based payments	231	257
Other pension and retirement benefits costs (note 15)	4,831	8,199
	22,624	26,821

7. Interest payable and similar charges

	2011	2010
	£000	£000
Interest payable to Group undertakings	76	58

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8. Tax on profit / (loss) on ordinary activities

	2011 £000	2010 £000
(a) Analysis of tax charge in the year		
The tax charge comprises		
Current tax:		
UK corporation tax at 26.5% (2010: 28%)	-	-
Deferred tax:		
Effect of change to deferred tax rate	6	4
Origination and reversal of timing differences	(20)	(56)
Adjustments in respect of prior years	44	27
Total deferred tax	30	(25)
Total tax on profit / (loss) on ordinary activities	30	(25)

(b) Factors affecting the tax charge for the year

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 / (loss) before tax are as follows

	2011 £000	2010 £000
Profit / (loss) on ordinary activities before taxation	1,055	(58)
Tax on profit / (loss) on ordinary activities at standard UK corporation tax rate of 26.5% (2010: 28%)	280	(16)
Effects of		
Other timing differences	3	2
Group relief for nil consideration	(283)	(358)
UK UK transfer pricing adjustments	-	372
Current tax charge for the year	-	-

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The main rate of corporation tax reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. An initial reduction of 1% to 27% effective from April 2011 was enacted by Finance (No 2) Act 2010 and is therefore taken into account in these financial statements. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014, and the reduction to 25% from 1 April 2012 is expected to be enacted by Finance Act 2011. Beyond the reduction to 27%, the changes had not been substantively enacted at the balance sheet date and, therefore, are included in these financial statements. The impact of these changes on the deferred tax balances is not expected to be material.

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9. Debtors

	2011 £000	2010 £000
Deferred tax (note 10)	80	110
Value Added Tax	2	2
Amounts owed by Group undertakings	<u>2,800</u>	<u>1,672</u>
	<u>2,882</u>	<u>1,784</u>

Amounts owed by Group undertakings are unsecured, interest-free and repayable on demand

10. Deferred tax

	2011 £000
At 1 January 2011	110
Charged to the profit and loss account	<u>(30)</u>
As at 31 December 2011	<u>80</u>

	As at 1 January 2011 £000	Profit and loss charge / (credit) £000	As at 31 December 2011 £000
Deferred corporation tax			
- accelerated capital allowances	-	-	-
- other timing differences	110	(30)	80
	<u>110</u>	<u>(30)</u>	<u>80</u>

Deferred corporation tax provision at 25% (2010 27%) is analysed as follows

	Provided		Unprovided	
	This period £000	Last period £000	This period £000	Last period £000
Deferred corporation tax				
- accelerated capital allowances	-	-	-	-
- other timing differences	80	110	-	-
	<u>80</u>	<u>110</u>	<u>-</u>	<u>-</u>

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

11. Creditors – amounts falling due within one year

	2011 £000	2010 £000
Tax and social security	494	473
Accruals	-	179
	<u>494</u>	<u>652</u>

12. Called up share capital

	2011 £	2010 £
Allotted and fully paid		
2 ordinary shares of £1 each (2010 2 ordinary shares of £1 each)	<u>2</u>	<u>2</u>

13. Reserves

	Profit and loss reserve £000	Other reserve £000	Total £000
At 1 January 2011	52	1,080	1,132
Profit for the financial year	1,025	-	1,025
Employee share schemes value of services provided	-	231	231
At 31 December 2011	<u>1,077</u>	<u>1,311</u>	<u>2,388</u>

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

14. Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit / (loss) for the financial year	1,025	(33)
Employee share schemes value of services provided	231	257
Net movement on shareholders' funds	1,256	224
Opening shareholders' funds	1,132	908
Closing shareholders' funds	2,388	1,132

15. Commitments and contingencies: pensions

The majority of the Company's employees at 31 December 2011 were members of two of the three main schemes in the Centrica plc group, the Centrica Pension Scheme, the Centrica Engineers Pension Scheme and the Centrica Pension Plan

During the year, the Group announced changes to the terms of the final salary sections of the Centrica Pension Plan with the changes taking effect from 1 January 2012 and 1 March 2012 respectively. Employees' annual increases in pensionable pay will be capped to 2% and annual increases in respect of future years' service for pensions in deferment will be the lower of CPI and 2.5%.

Except for the defined contribution section of the Centrica Pension Scheme, the three main pension schemes are defined benefit schemes and their assets are held in separate trustee administered funds. However, it is not possible on a reasonable and consistent basis to identify the Company's share of the underlying assets and liabilities within these schemes, and therefore, as allowed within FRS17, these schemes have been treated as defined contribution schemes. The aggregate contributions to the schemes during the year were £4.8 million (2010 £8.2 million). The amount outstanding at the balance sheet date was £nil (2010 £nil). The latest actuarial valuations of the schemes, updated for the purposes of FRS17, show a total surplus of £283 million (2010 deficit of £97 million) and a surplus of £213 million (2010 £71 million) net of deferred tax. These pension schemes are included on a consolidated basis within the Group accounts of Centrica plc as prepared under IFRS.

The liabilities under the pension schemes will be paid out over an extended period. The company is contributing to the pension fund on the basis of actuarial advice as to the amounts required to meet these liabilities in full. This actuarial advice is based on funding valuations carried out at least triennially, the last of which was as at 31 March 2009, the 31 March 2012 valuation has not yet been completed.

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

16. Share-based payments

(a) Summary of principal share-based payment plans and movements in the number of shares and options outstanding

Employee share schemes are designed to encourage participants to align their objectives with those of shareholders. The Company participates in seven employee share schemes which gave rise to a charge of £231,000 (2010 £257,000) which represents 1% (2010 1%) of employee costs. Over 70% of this share-based payment charge arose from the Sharesave scheme, which is detailed further below.

Sharesave

Under Sharesave, the Group Board may grant options over shares in Centrica plc to all UK-based employees of the Group. To date, the Board has approved the grant of options with a fixed exercise price equal to 80% of the average market price of the shares for the three days prior to invitation which is three to four weeks prior to the grant date. Employees pay a fixed amount from salary into a savings account each month, and may elect to save over three and / or five years. At the end of the savings period, employees have six months in which to exercise their options using the funds saved. If employees decide not to exercise their options, they may withdraw the funds saved, and the options expire six months after maturity. Exercise of options is subject to continued employment within the Group (except where permitted by the rules of the scheme).

A reconciliation of total number of shares allocated under this scheme is as follows:

(Number of shares in thousands)	2011		2010	
	Number (i)	Average exercise price £	2010	Average exercise price £
Balance at start of year	1,150	£2.12	1,049	£2.09
Granted	162	£2.70	303	£2.28
Released (i)	(147)	£2.23	(146)	£2.14
Forfeited, expired	(68)	£2.12	(39)	£2.15
Transfers	(27)	£2.19	(17)	£2.59
Balance at end of year	1,070	£2.12	1,150	£2.12

(i) For shares released during the period, the weighted average share price was £3.16 (2010 £2.89).

(b) Fair values and associated details of shares granted under the principal schemes

	2011	2010
	Sharesave	Sharesave
Number of equity instruments granted (in thousands)	162	303
Weighted average fair value at grant date	£0.60	£0.67
Vesting period	3.9 years	3.9 years
Expected forfeitures	28%	30%

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

2011				2010		
Range of exercise prices	Weighted average exercise price	Number of shares in thousands	Average remaining contractual life Years	Weighted average exercise price	Number of shares in thousands	Average remaining contractual life Years
£1.90–£1.99	£1.94	539	1.5	£1.94	562	2.5
£2.10–£2.19	-	-	-	£2.12	47	0.4
£2.20–£2.29	£2.28	341	2.1	£2.28	498	2.6
£2.50–£2.59	£2.59	37	0.4	£2.59	43	1.3
£2.70–£2.79	£2.70	153	3.3	-	-	-
	£2.23	1,070	1.9	£2.12	1,150	2.4

For options exercised during the period, the weighted average share price at the date of exercise was £3.16 (2010 £2.89)

(b) Fair values and associated details of options granted under Sharesave to Company employees

	Sharesave 2011	Sharesave 2010
Weighted average share price at grant date	£3.23	£2.97
Weighted average exercise price	£2.23	£2.28
Expected volatility ⁽ⁱ⁾	23%	31.4%
Contractual option life	4.2 years	4.2 years
Expected life	4.0 years	3.9 years
Vesting period	3.9 years	3.9 years
Expected dividend yield	4.5%	4.5%
Risk-free interest rate ⁽ⁱⁱ⁾	2.5%	2.3%

(i) The expected volatility is based on historical volatility over the last five years

(ii) The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the expected option life.

(c) Other share schemes

Below is a brief summary of the other schemes. These are significantly smaller than the principal share scheme discussed above and therefore no detailed disclosures have been included for these schemes.

Share Incentive Plan (SIP)

SIP is available to all employees, who may purchase 'partnership shares' through monthly salary deductions, and has a three-year vesting period. The Group then awards one 'matching share' for every two partnership shares purchased, up to a maximum of 22 matching shares per employee per month. Both partnership shares and matching shares are held in trust. Partnership shares may be withdrawn at any time, however matching shares are forfeited if the related partnership shares are withdrawn within the vesting period. Matching shares vest unconditionally for employees after being held for three years in the trust. Vesting of matching shares is also subject to continued employment within the Group (except where permitted by the rules of the plan). Matching shares are valued at the market price at the grant date.

Share Award Scheme (SAS)

Under the SAS, allocations of shares in Centrica plc are made to selected employees at middle management levels, based on recommendation by the Group Chief Executive and the Group Director, Human Resources. There is no contractual eligibility for SAS and each year's award is made independently from previous awards. Allocations are subject to no performance conditions and vest unconditionally subject to continued employment within the Group (except where permitted by the rules of the scheme) in two stages – half of the award vesting after two years, the other half vesting after three years. On vesting, additional shares are awarded or a cash payment is made to reflect dividends that would have been paid on the allocations during the vesting period. The fair value is therefore considered to be the market value at date of grant.

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

17. Ultimate parent undertaking

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

The Company's ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com