

Registered Number: 04217941

Centrica Energy Operations Limited

**Annual report and Financial Statements
For the year ended 31 December 2012**

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Centrica Energy Operations Limited

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

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Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2012

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

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 2012 is expected in the coming year.

Principal risks and uncertainties

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 44-50 of the 2012 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 18-19 of the 2012 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 5.

The profit for the financial year ended 31 December 2012 is £7,108,000 (2011 £5,111,000). No dividends were paid on the ordinary shares for the year ended 31 December 2012 (2011 £nil). The Directors do not recommend the payment of a final dividend (2011 £nil).

Defined benefit pension accounting – Prior year adjustment

The Company's employees participate in a number of the Group's defined benefit pension schemes. In prior years the Company accounted for the schemes as if they were defined contribution schemes and the charge to the Profit and Loss account was equal to the contributions payable to the schemes in the accounting period. During 2012 the accounting policy has been amended because the Group has now identified a methodology for allocating the Company's share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis. Therefore, the Company now accounts for the schemes as defined benefit schemes, and reports a defined benefit pension surplus / liability on its balance sheet. The impact of this change in accounting policy is disclosed in note 1 to the financial statements.

Financial position

The financial position of the Company is presented in the balance sheet on page 7. The shareholders' funds at 31 December 2012 were £4,192,000 (2011 £7,143,000).

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)

Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2012 (continued)

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 pages 42-43 of the 2012 annual report and accounts of the Group, which does not form part of this report.

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

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.

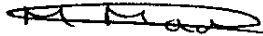
Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2012 (continued)

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 27 June 2013



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 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 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 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.

Mark King (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 June 2013

Centrica Energy Operations Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £000	2011 (restated) £000
Turnover	3	29,239	23,755
Cost of sales		(21,492)	(17,881)
Gross profit		7,747	5,874
Administrative expenses		(67)	-
Operating profit	4	7,680	5,874
Other finance income	13	1,122	793
Interest payable and similar charges	7	(131)	(76)
Profit on ordinary activities before taxation		8,671	6,591
Tax on profit on ordinary activities	8	(1,563)	(1,480)
Profit for the financial year	15	7,108	5,111

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

All results relate to continuing operations

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

Centrica Energy Operations Limited

Statement of total recognised gains and losses for the year ended 31 December 2012

		2012	2011 (restated)
	Note	£000	£000
Profit for the financial year	15	7,108	5,111
Net actuarial (losses)/gains on defined benefit pension schemes	13	(13,188)	4,067
Taxation on net actuarial (losses)/gains on defined benefit pension schemes	13	3,114	(1,017)
Total recognised gain for the year		(2,966)	8,161
Prior year adjustment	1	4,755	
Total gains and losses recognised since last financial statements		1,789	

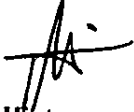
Centrica Energy Operations Limited

Balance sheet as at 31 December 2012

	Note	2012 £000	2011 (restated) £000
Current assets			
Debtors	9	3,819	2,883
Cash at bank and in hand		150	-
		<u>3,969</u>	<u>2,883</u>
Current liabilities			
Creditors - amounts falling due within one year	11	(348)	(494)
		<u>3,621</u>	<u>2,389</u>
Net current assets			
Provisions for liabilities	12	(302)	-
		<u>3,319</u>	<u>2,389</u>
Net assets excluding pension assets / (liabilities)			
Defined benefit pension assets	13	1,222	4,754
Defined benefit pension liabilities	13	(349)	-
		<u>4,192</u>	<u>7,143</u>
Net assets			
Capital and reserves			
Called up share capital	14	-	-
Other reserves	15	1,326	1,311
Profit and loss account	15	<u>2,866</u>	<u>5,832</u>
Total shareholders' funds	16	<u>4,192</u>	<u>7,143</u>

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 27 June 2013 and were signed on its behalf by


Thomas Hinton
Director
Registered Number: 04217941

Centrica Energy Operations Limited

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

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 total Group cost of providing benefits under defined benefit schemes is determined separately for each of the Group's schemes under the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur. The key assumptions used for the actuarial valuation are based on the Group's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in notes 29 and S6 to the Group Financial Statements of Centrica plc.

The Company's share of the total Group surplus or deficit at the end of the reporting period for each scheme is calculated in proportion to the Company's share of ordinary employer contributions in to that scheme during the year; ordinary employer contributions are determined by the pensionable pay of the Company's employees within the scheme and the cash contribution rates set by the scheme trustees. Current service cost is calculated with reference to the pensionable pay of the Company's employees. The Company's share of the total Group interest on scheme liabilities, expected return on scheme assets and actuarial gains or losses is calculated in proportion to ordinary employer contributions in the prior accounting period. Changes in the surplus or deficit arising as a result of the changes in the Company's share of total ordinary employer contributions are also treated as actuarial gains or losses.

This is a change in accounting policy from prior years when the Company accounted for the schemes as if they were defined contribution schemes and the charge to the Profit and Loss account was equal to the contributions payable to the schemes in the accounting period. The accounting policy has been amended because the Group has now identified a methodology for allocating the Company's share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis.

Comparative figures have been restated accordingly. The change in accounting policy increased profit for the financial year by £6,006,000 (2011: £4,086,000 increase) and increased opening reserves by £4,755,000 (2011: £2,381,000 decrease).

Share-based payments

The Company accounts for share-based payments under FRS 20 "Share based payments". The Group to which the Company belongs has a number of employee share schemes, detailed in the Remuneration Report on pages 61 to 75 of the Centrica plc 2012 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 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
LTIS EPS, EP and KPI awards	Market value on the date of grant
LTIS – TSR award	A Monte Carlo simulation to predict the total shareholder return performance
All other schemes	Market value on the date of grant

Centrica Energy Operations Limited

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

1. Statement of accounting policies (continued)

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

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

	2012	2011 (restated)
	£000	£000
Operating profit is stated after charging:		
Staff costs (note 6)	21,432	17,918

Auditors' remuneration totalling £5,000 (2011: £5,700) relates to fees for the audit of the UK GAAP statutory financial statements of Centrica Energy Operations Limited

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 2012 (continued)

6. Employee information

The average monthly number of persons employed by the Company during the year was 254 (2011: 320). 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:

	2012	2011 (restated)
	£000	£000
Wages and salaries	15,995	15,741
Social security costs	1,739	1,858
Share-based payments	200	231
Other pension and retirement benefits costs (note 13)	3,498	2,168
Other pension and retirement benefits costs – curtailment gain (note 13)	-	(2,080)
	<u>21,432</u>	<u>17,918</u>

7. Interest payable and similar charges

	2012	2011
	£000	£000
Interest payable to Group undertakings	<u>131</u>	<u>76</u>

Centrica Energy Operations Limited

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

8. Tax on profit on ordinary activities

	2012	2011 (restated)
	£000	£000
(a) Analysis of tax charge in the year		
The tax charge comprises		
Current tax:		
UK corporation tax at 24.5% (2011: 26.5%)	-	-
Deferred tax:		
Effect of change to deferred tax rate	(143)	(12)
Origination and reversal of timing differences	1,706	1,448
Adjustments in respect of prior years	-	44
Total tax on profit on ordinary activities	1,563	1,480

(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 before tax are as follows

	2012	2011 (restated)
	£000	£000
Profit on ordinary activities before taxation	8,671	6,591
Tax on profit on ordinary activities at standard UK corporation tax rate of 24.5% (2011: 26.5%)	2,124	1,747
Effects of		
Other timing differences	(1,723)	(1,464)
Group relief for nil consideration	(401)	(283)
Current tax charge for the year	-	-

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013, enacted under Finance Act 2012. Further reductions to the main rate were proposed in the Autumn Statement 2012 and the Budget Statement 2013 to respectively reduce the rate to 21% by 1 April 2014 and to 20% by 1 April 2015. Beyond a reduction to 23% from 1 April 2013, 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 changes to the financial statements is not expected to be material.

Centrica Energy Operations Limited

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

9. Debtors

	2012 £000	2011 £000
Amounts owed by Group undertakings	3,725	2,801
Deferred tax (note 10)	64	80
Value Added Tax	2	2
Other debtors	28	-
	<u>3,819</u>	<u>2,883</u>

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

10. Deferred tax

	As at 1 January 2012 £000 (restated)	Profit and loss charge £000	Reserves £000	As at 31 December 2012 £000
Deferred corporation tax - other timing differences	80	(16)	-	64
	80	(16)	-	64
Deferred tax liability on pension asset	<u>(1,584)</u>	<u>(1,547)</u>	<u>3,114</u>	<u>(17)</u>
	(1,504)	(1,563)	3,114	47

The deferred tax liability of £17,000 (2011 £1,584,000) has been deducted in arriving at the net pension surplus on the balance sheet

The deferred corporation tax provision / (asset) at 23% (2011 25%) is analysed as follows

	Provided		Unprovided	
	This period £000	Last period £000	This period £000	Last period £000
Deferred corporation tax - other timing differences	64	80	-	-
	<u>64</u>	<u>80</u>	<u>-</u>	<u>-</u>

There are no amounts of deferred tax unprovided (2011 nil)

Centrica Energy Operations Limited

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

11. Creditors – amounts falling due within one year

	2012 £000	2011 £000
Taxation and social security	339	494
Accruals and deferred income	9	-
	<u>348</u>	<u>494</u>

12. Provisions for liabilities

	Restructuring provision £000	Total £000
At 1 January 2012	-	-
Charged to the profit and loss account	302	302
At 31 December 2012	<u>302</u>	<u>302</u>

The above provision represents business restructuring costs and mainly relates to staff redundancies. The closing balance is expected to be utilised during 2013.

13. Pensions

The accounting policy in respect of defined benefit pension schemes has been changed in the year (see note 1). Comparatives have been restated accordingly.

(a) Summary of main schemes

The Company's employees participate in the following Group defined benefit pension schemes: Centrica Pension Plan (CPP) and Centrica Pension Scheme (CPS). Its employees also participate in the defined contribution section of the Centrica Pension Scheme. Information on these schemes is provided in notes 29 and S6 to the Group Financial Statements of Centrica plc.

Together with the Centrica Engineers Pension Scheme (CEPS), CPP and CPS form the majority of the Group's defined benefit obligation and are referred to below and in the Group Financial Statements as the 'Registered Pension Schemes'.

(b) Curtailment gains

During 2011, the Group announced changes to the terms of the final salary sections of the CEPS and the CPP. Further details are provided in Note 29 to the Group Financial Statements. The total Group gains of £333 million have been apportioned to the Company in proportion to ordinary employer contributions in the prior accounting period. This results in a gain of £2,080,000 in the Company's restated profit and loss account.

(c) Accounting assumptions

The accounting assumptions for the Registered Pension Schemes are provided in note 29 to the Group Financial Statements.

Centrica Energy Operations Limited

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

13. Pensions (continued)

(d) Movement in the year

	2012		2011	
	Pension liabilities £000	Pension assets £000	Pension liabilities (restated) £000	Pension assets (restated) £000
1 January	(129,207)	135,545	(126,631)	123,365
Items included in the Profit and Loss Account				
Current service cost	(1,309)	-	(1,883)	-
Gain on curtailment	-	-	2,080	-
Interest on scheme liabilities	(6,888)	-	(7,220)	-
Expected return on scheme assets	-	8,010	-	8,013
Other movements				
Actuarial gain/(loss)	1,890	(15,078)	1,141	2,926
Employer contributions	-	9,816	-	4,547
Plan participants' contributions	(451)	451	(566)	566
Benefits paid from schemes	4,493	(4,493)	3,872	(3,872)
Other pension costs	(1,889)	-	-	-
31 December	(133,361)	134,251	(129,207)	135,545

	2012	2011 (restated)
	£000	£000
Net pension surplus	890	6,338
Related deferred tax liability	(17)	(1,584)
Net pension surplus after deferred tax	873	4,754
Presented in the Balance Sheet as:		
Defined benefit pension assets	1,222	4,754
Defined benefit pension liabilities	(349)	-
	873	4,754

Centrica Energy Operations Limited

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

13. Pensions (continued)

(e) Analysis of the actuarial (losses)/gains recognised in the Statement of Total Recognised Gains and Losses

	2012	2011 (restated)
	£000	£000
Actuarial (loss)/gain (actual return less expected return on pension scheme assets)	(15,078)	2,926
Experience gains/(losses) arising on the scheme liabilities	1,211	(374)
Changes in assumptions underlying the present value of the scheme liabilities	679	1,515
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses, before adjustment for taxation	(13,188)	4,067
Cumulative actuarial gains recognised in reserves at 1 January, before adjustment for taxation	4,067	-
Cumulative actuarial (losses)/gains recognised in reserves at 31 December, before adjustment for taxation	(9,121)	4,067

(f) Pension scheme contributions

Note 29 to the Group Financial Statements provides details of the triennial review carried out at 31 March 2012 in respect of the UK Registered Pension Schemes and the asset-backed contribution arrangement set up on 31 December 2012. During the year the Group made a £37 million deficit payment and a contribution of £84 million via the asset-backed contribution arrangement of which the Company's share was £1,105,000 and £6,325,000 respectively. Under FRS 17, Retirement Benefits, the Company's contribution and trustee interest in the Scottish Limited Partnership are recognised as scheme assets.

The Company estimates that it will pay £1,662,000 of employer contributions during 2013 at an average rate of 21% of pensionable pay.

(g) Pension scheme assets

	2012	2011 (restated)
	£m	£m
UK equities	322	400
Non-UK equities	1,522	1,311
Fixed-interest bonds	1,411	1,369
Inflation-linked assets	997	1,040
High-yield debt	324	292
Diversified asset funds	246	-
Property	204	163
Cash pending investment	12	36
Asset backed contribution assets	84	-
Group pension scheme assets (i)	5,122	4,611

Centrica Energy Operations Limited

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

13. Pensions (continued)

	2012	2011 (restated)
Company share of the above (£m)	134	136
Expected long-term rate of return on assets per annum	5.6%	6.0%

(i) Total pension schemes assets for the UK pension scheme

The basis for determining the overall expected rate of return on assets is explained in note 29 to the Group Financial Statements

(h) Histories

	2012 £000	2011 (restated) £000
History of surplus		
Plan assets	134,251	135,545
Defined benefit obligations	(133,361)	(129,207)
Pension surplus	890	6,338
Difference between the expected and actual return on scheme assets	(15,078)	2,926
Experience gains/(losses) on scheme liabilities	1,211	(374)

14. Called up share capital

	2012 £	2011 £
Allotted and fully paid		
2 ordinary shares of £1 each (2011: 2 ordinary shares of £1 each)	2	2

Centrica Energy Operations Limited

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

15. Reserves

	Profit and loss account (restated) £000	Other reserves £000	Total £000
At 1 January as previously reported	1,077	1,311	2,388
Prior year adjustment	4,755	-	4,755
At 1 January	5,832	1,311	7,143
Profit for the financial year	7,108	-	7,108
Employee share schemes value of services provided	-	15	15
Actuarial (losses)/gains net of taxation	(10,074)	-	(10,074)
At 31 December 2012	2,866	1,326	4,192

16. Reconciliation of movements in shareholders' funds

	2012 £000	2011 (restated) £000
At 1 January as previously reported	2,388	1,132
Prior year adjustment	4,755	(2,381)
At 1 January (i)	7,143	(1,249)
Profit for the financial year (i)	7,108	5,111
Employee share schemes value of services provided	15	231
Actuarial (losses)/gains net of taxation	(10,074)	3,050
At 31 December	4,192	7,143

(i) Restated for the change in accounting policy in respect of defined benefit pensions which decreased opening reserves as at 1 January 2011 by £2,381,000, increased profit for the financial year ended 31 December 2011 by £4,086,000 and increased actuarial gains net of taxation for the year ended 31 December 2011 by £3,050,000

17. 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 six employee share schemes which gave rise to a charge of £200,000 (2011 £231,000) which represents 1% (2011 1%) of employee costs. Over 70% of this share-based payment charge arose from the Sharesave scheme, which is detailed further below.

Centrica Energy Operations Limited

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

(b) 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).

18. 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.