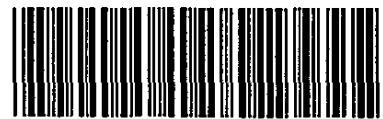


Registered Number: 04217941

Centrica Energy Operations Limited

**Annual report and Financial Statements
For the year ended 31 December 2010**

MONDAY



L6EJFVCA
LD6 27/06/2011 31
COMPANIES HOUSE

Centrica Energy Operations Limited

Annual report and financial statements for the year ended 31 December 2010

Contents

	Page
Directors' report for the year ended 31 December 2010	1
Independent auditors' report to the members of Centrica Energy Operations Limited	5
Profit and loss account for the year ended 31 December 2010	6
Balance sheet as at 31 December 2010	7
Notes to the financial statements for the year ended 31 December 2010	8

Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of Centrica Energy Operations Limited ("the Company") for the year ended 31 December 2010

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 2010 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 30-36 of the 2010 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 8-9 of the 2010 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 6.

During the year the Company made a loss of £33,000 (2009 profit of £32,000). No dividends were paid on the ordinary shares for the year ended 31 December 2010 (2009 £nil). The directors do not recommend the payment of a final dividend (2009 £nil).

Financial position

The financial position of the Company is presented in the balance sheet on page 7. The shareholders' funds at 31 December 2010 were £1,132,000 (2009 £908,000).

Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2010 (continued)

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 (appointed 30 June 2010)

James Spence (resigned 30 June 2010)

There were no contracts of significance during or at the end of the financial year to which the Company or any subsidiary and associated undertakings is a party and in which any director is or was materially interested

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 28-29 of the 2010 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

Centrica Energy Operations Limited

Directors' report for the year ended 31 December 2010 (continued)

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 elected to prepare 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 2010 (continued)

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 20 June 2011



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 2010 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 Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

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 2010 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
20 June 2011

Centrica Energy Operations Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	3	26,821	28,444
Cost of sales		(26,821)	(28,444)
<hr/>			
Gross profit		-	-
Administration expenses		-	-
<hr/>			
Operating profit	4	-	-
Interest payable and similar charges	7	(58)	-
<hr/>			
Loss on ordinary activities before taxation		(58)	-
Tax on loss on ordinary activities	8	25	32
<hr/>			
(Loss) / profit for the financial year	13	(33)	32

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

All results relate to continuing operations

The notes on pages 8 to 17 form part of these financial statements

Centrica Energy Operations Limited

Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Current assets			
Debtors	9	1,784	1,374
Creditors – amounts falling due within one year	11	(652)	(466)
Net current assets		<u>1,132</u>	<u>908</u>
Net assets		<u>1,132</u>	<u>908</u>
Capital and reserves			
Called up share capital	12	-	-
Reserves	13	1,132	908
Total shareholders' funds	14	<u>1,132</u>	<u>908</u>

The notes on pages 8 to 17 form part of these financial statements

The financial statements on pages 6 to 17 were approved and authorised for issue by the Board of Directors on 20 June 2011 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 2010

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 UK accounting standards. The principal accounting policies are set out below.

Turnover

Turnover principally relates to the recharge at nil mark-up 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 schemes 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 36 to the Centrica plc 2010 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 50 to 63 and in note 35 of the Centrica plc 2010 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
- SAS and SIP 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 2010 (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

	2010 £'000	2009 £'000
Operating profit is stated after charging:		
Staff costs (note 6)	26,821	28,444

Auditors' remuneration totalling £6,000 (2009: £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 totally by Centrica plc.

5 Directors' emoluments

The directors received no emoluments as they are employed by other Centrica Group companies (2009: £nil).

All of the directors are members of the ultimate parent company's defined benefit pension scheme.

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

6 Employee information

The average monthly number of persons employed by the Company during the year was 394 (2009 375). 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	2010	2009
	£'000	£'000
Wages and salaries	16,566	16,283
Social security costs	1,799	1,751
Share-based payments	257	278
Other pension and retirement benefits costs (note 15)	8,199	10,132
	26,821	28,444

7 Interest payable and similar charges

	2010	2009
	£'000	£'000
Interest payable to Group undertakings	58	-

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

8 Taxation on loss on ordinary activities

	2010	2009
	£'000	£'000
(a) Analysis of tax charge in the year		
The tax charge comprises		
Current tax:		
United Kingdom corporation tax at 28% (2009 28%)	-	-
Deferred tax:		
Effect of change to deferred tax rate	4	-
Origination and reversal of timing differences	(56)	(32)
Adjustment in respect of prior periods	27	-
Total deferred tax	(25)	(32)
Total tax on loss on ordinary activities	(25)	(32)

(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 loss before tax are as follows

	2010	2009
	£'000	£'000
Loss on ordinary activities before taxation	(58)	-
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	(16)	-
Effects of		
Other timing differences	2	63
Group relief for nil consideration	(358)	(460)
UK UK transfer pricing adjustments	372	397
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 not 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 2010 (continued)

9 Debtors

	2010 £'000	2009 £'000
Deferred tax (note 10)	110	85
Value Added Tax	2	1
Amounts owed by Group undertakings	<u>1,672</u>	<u>1,288</u>
	<u>1,784</u>	<u>1,374</u>

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

10 Deferred taxation

	£'000
At 1 January 2010	(85)
(Credited) / charged to the profit and loss account	<u>(25)</u>
As at 31 December 2010	<u>(110)</u>

	As at 1 January 2010 £'000	Profit and loss charge/(credit) £'000	As at 31 December 2010 £'000
Deferred corporation tax			
- accelerated capital allowances	-	-	-
- other timing differences	(85)	(25)	(110)
	<u>(85)</u>	<u>(25)</u>	<u>(110)</u>

Deferred corporation tax provision / (asset) at 27% (2009 28%) is analysed as follows

	Provided This period £'000	Provided Last period £'000	Unprovided This period £'000	Unprovided Last period £'000
Deferred corporation tax				
- accelerated capital allowances	-	-	-	-
- other timing differences	(110)	(85)	-	-
	<u>(110)</u>	<u>(85)</u>	<u>-</u>	<u>-</u>

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Creditors - amounts falling due within one year

	2010 £'000	2009 £'000
Tax and social security	473	460
Accruals	179	6
	<u>652</u>	<u>466</u>

12 Called up share capital

	2009 £'000	2009 £'000
Allotted and fully paid 2 ordinary shares of £1 each (2009 2 ordinary shares of £1 each)	-	-

13 Reserves

	Profit and loss reserve £'000	Other reserve £'000	Total £'000
At 1 January 2010	85	823	908
Loss for the financial year	(33)	-	(33)
Employee share schemes value of services provided	-	257	257
At 31 December 2010	<u>52</u>	<u>1,080</u>	<u>1,132</u>

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

14 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
(Loss) / profit for the financial year	(33)	32
Employee share schemes value of services provided	257	278
Net movement on shareholders' funds	224	310
Opening shareholders' funds	908	598
Closing shareholders' funds	1,132	908

15 Commitments and contingencies: pensions

The majority of the Company's employees at 31 December 2010 were members of two of the three main schemes in the Centrica plc group, the Centrica Pension Scheme and the Centrica Pension Plan

Except for the defined contribution section of the Centrica Pension Scheme, these 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. Additional special contributions of £6.6 million (2009: £8.6 million) were incurred during the year. The aggregate contributions to the schemes during the year were £8.2 million (2009: £10.1 million). The amount outstanding at the balance sheet date was £nil (2009: £nil). The latest actuarial valuations of the schemes, updated for the purposes of FRS17, show a total gross deficit of £97 million (2009: £367 million) and a deficit of £71 million (2009: £264 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.

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

16 Share-based payments

Employee share schemes are designed to encourage participants to align their objectives with those of shareholders. The Company's employees participate in three of these: Sharesave, the Share Award Scheme (SAS), and the Share Incentive Plan (SIP).

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

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). Details of the fair values of awards granted and related assumptions are included in section (b) below. A reconciliation of movements in Company allocations is as follows:

	2010		2009	
	Number (i)	Weighted average exercise price (i) £	Number (i)	Weighted average exercise price (i) £
Outstanding at start of year	1,048,959	£2.09	914,652	£2.21
Granted	302,785	£2.28	629,823	£1.94
Exercised	(145,773)	£2.14	(143,533)	£1.91
Forfeited	(34,899)	£2.15	(245,987)	£2.29
Expired	(4,370)	£2.59	(3,712)	£2.01
Transfer to/from other Group companies	(16,891)	£1.78	(103,165)	-
Outstanding at end of year	1,149,811	£2.12	1,048,078	£2.21
Exercisable at end of year	4,370	£2.59	-	-

For options outstanding at the end of the year, the range of exercise prices and the average remaining life was as follows:

2010				2009			
Range of exercise prices (i)	Weighted average exercise price (i)	Number of shares (i)	Average remaining contractual life Years	Range of exercise prices (i)	Weighted average exercise price (i)	Number of shares (i)	Average remaining contractual life Years
£1.60-£1.69	-	-	-	£1.60-£1.69	£1.67	72,651	0.3
£1.90-£1.99	£1.94	562,107	2.5	£1.90-£1.99	£1.94	593,716	3.5
£2.10-£2.19	£2.12	46,789	0.4	£2.10-£2.19	£2.12	49,825	1.4
£2.20-£2.29	£2.28	497,777	2.6	£2.20-£2.29	£2.27	212,220	2.4
£2.50-£2.59	£2.59	43,138	1.3	£2.50-£2.59	£2.59	119,666	1.1
	£2.12	1,149,811	2.4		£2.07	1,048,078	2.7

For options exercised during the period, the weighted average share price at the date of exercise was £2.89 (2009 £2.36).

Centrica Energy Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

16 Share-based payments (continued)

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

	Sharesave 2010	Sharesave 2009
Number of options granted ⁽ⁱ⁾	302,785	629,823
Weighted average fair value at grant date ⁽ⁱ⁾	£0.67	£0.49
Weighted average share price at grant date ⁽ⁱ⁾	£2.97	£2.30
Weighted average exercise price ⁽ⁱ⁾	£2.28	£1.94
Expected volatility ⁽ⁱⁱ⁾	31.4%	29.4%
Contractual option life	4.2 years	4.6 years
Expected life	3.9 years	4.6 years
Vesting period	3.9 years	4.3 years
Expected dividend yield	4.50%	5.00%
Risk-free interest rate ⁽ⁱⁱⁱ⁾	2.3%	2.48%
Expected forfeitures	30%	33%

(i) The expected volatility is based on historical volatility over the last three 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 2010 (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