

**CENTRICA RESOURCES PETROLEUM UK LIMITED**  
(formerly Newfield Petroleum UK Limited)

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2007**



**REGISTERED NUMBER: 4487586**

# **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

## **Directors' report for the year ended 31 December 2007**

The Directors present their report and the audited financial statements of Centrica Resources Petroleum UK Limited ("the Company") for the year ended 31 December 2007

### **Principal activities**

The principal activity of the Company is the exploration, development and extraction of gas reserves on the UK continental shelf

### **Business review**

During the year the Company continued with its principal activity of exploration, development and extraction of gas reserves

The Grove field has started to produce revenues with gas production of 6,407 mcf in the year (2006 nil mcf)

On 5 October 2007, GB Gas Holdings Limited, a wholly owned Subsidiary of Centrica plc, acquired the entire share capital of Newfield UK Holdings Limited (now known as Centrica Resources UK Holdings Limited), the Company's immediate parent company, from Newfield International Holdings Inc. On 16 October 2007, the Company changed its name from Newfield Petroleum UK Limited to Centrica Resources Petroleum UK Limited

On 31 December 2007, the trade, assets and liabilities of the Company were transferred to Centrica Resources Limited for consideration of £179,692,621. As such the Company has ceased to trade and, as a result, these accounts have been drawn up on the break up basis

### **Financial results**

The results of the Company are set out on page 7

During the year the Company made an operating profit on ordinary activities before exceptional items of £7.2 million (2006 £2.9 million loss) and a profit for the year of £159 million which included an exceptional profit on disposal of £158 million (2006 £4.9 million loss)

### **Dividends**

No dividends were paid during the year and the Directors do not recommend the payment of a dividend (2006 nil)

### **Principal risks and uncertainties and financial risk management**

Prior to the acquisition of the company by the Centrica Group on 5 October 2007, the principal risks and uncertainties and financial risk management were as follows

#### **Financial risk management**

The Company's operations exposed it to a variety of financial risks that included the effects of changes in market prices, credit risk, liquidity risk and interest rate risk. The Company had in place a risk management programme that limited the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs. Given the size of the Company, the Directors did not delegate the responsibility of monitoring financial risk management to a sub-committee of the board

#### **Price risk**

The Company was exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceeded any potential benefits. The Company had no exposure to equity securities price risk as it held no listed or other equity investments

## **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

### **Directors' report for the year ended 31 December 2007-continued**

#### **Principal risks and uncertainties and financial risk management-continued**

##### **Credit risk**

The Company had implemented policies that required appropriate credit checks on potential customers before sales were made. Where debt finance was utilised, it was subject to pre-approval by the Board of Directors and such approval was limited to financial institutions with an AA rating or better. The amount of exposure to any individual counterparty was subject to a limit, which was reassessed annually by the Board.

##### **Liquidity risk**

The Company financed its operations mainly through obtaining funds from its ultimate parent company. This was based on plans approved by the Board of Directors of capital expenditures required to develop the properties acquired in the UK and purchase additional properties where opportunities were identified. Overall, the Company actively aimed to maintain a mixture of long-term and short-term debt finance that was designed to ensure the Company had sufficient available funds for operations and planned expansions.

##### **Interest rate cash flow risk**

The Company had both interest bearing assets and interest bearing liabilities. Interest bearing assets included only cash balances which earned interest at current market rates.

Subsequent to the acquisition, the principal risks and uncertainties of the Company were integrated with the principal risks of the Centrica plc group ("the Group") and were not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed on pages 25-27 of the 2007 Annual Report and Accounts of the Group which does not form part of this report.

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

Prior to the sale of the trade, assets and liabilities of the Company on 31 December 2007, exposure to commodity price risk, counterparty credit risk and liquidity risk arose in the normal course of the Company's business and was managed within parameters set by the Directors.

The most significant financial risk facing the Company related to commodity prices, in particular for gas and oil. The risk is primarily that market prices for commodities will move adversely, thereby potentially reducing expected margins. This risk was managed on a group basis whereby the Group optimises its asset and contract portfolio based on comprehensive market analysis and continuous assessment overseen by the financial risk management committee.

As at year end, counterparty credit exposures were monitored by individual counterparty and by category of credit rating, and were subject to approved limits. Exposure to credit risk was and is limited predominantly to exposures with other Centrica group companies.

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

The Company did not take part in hedging of any kind.

##### **Key performance indicators (KPI's)**

Prior to the acquisition, the key performance indicator used by management was profit on ordinary activities before taxation.

Subsequent to the acquisition, the Directors of the Group use a number of key performance indicators to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are discussed on pages 14-15 of the 2007 Annual Report and Accounts of the Group which does not form part of this report.

## **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

### **Directors' report for the year ended 31 December 2007-continued**

#### **Future developments**

On 31 December 2007 the trade, assets and liabilities of the Company were sold to Centrica Resources Limited and, as a result, the company has ceased to trade

#### **Directors**

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

Simon Clark	(appointed 5 October 2007)
Peter Cole	(appointed 5 October 2007)
John Shears	(appointed 5 October 2007)
Peter Gunn	(resigned 31 January 2008)
David Phillips	(resigned 31 January 2008)
William Schneider	(resigned 5 October 2007)
David Trice	(resigned 5 October 2007)

#### **Related party transactions**

The Company has taken advantage of the exemptions within Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other group companies

#### **Creditor payment policy**

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

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

The number of days' purchases outstanding as at 31 December 2007 was nil days (31 December 2006 25 days)

#### **Employment policies**

During 2007, the Company employed an average of 11 people, all employed in the United Kingdom (2006 8)

The Company is committed to pursuing an equal opportunities policy covering recruitment and selection, training and development, appraisal and promotion. The Company recognises the diversity of its employees, its customers and the community at large and seeks to use employees' talents and abilities to the full. This approach extends to the fair treatment of people with disabilities, in relation to their recruitment, training and development. Full consideration is given to the retention of staff who become disabled during employment.

The Company is committed to effective communications, which it maintains through regular information releases and staff briefings. Formal communications with employees take place through these channels.

#### **Charitable and political donations**

Charitable donations during the year amounted to £nil (2006 £nil). There were no political donations made during the year (2006 £nil).

## **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

### **Directors' report for the year ended 31 December 2007-continued**

#### **Employment policies**

#### **Directors' and officers' liability**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, at acquisition, and was in place throughout the period since acquisition

#### **Statement of Directors' responsibilities**

Company law requires the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that period

In preparing those financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 confirm that they have complied with the above requirements in preparing the Financial Statements

The Directors are responsible for keeping proper accounting records that 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 1985. 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

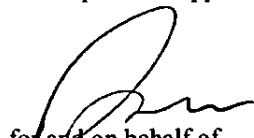
#### **Disclosure of information to auditors**

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

#### **Auditors**

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually, and PricewaterhouseCoopers LLP will therefore continue in office

This report was approved by the Board on 14 October 2008



for and on behalf of  
Centrica Secretaries Limited  
**Company Secretary**

Registered Office  
Millstream  
Maidenhead Road  
Windsor  
Berkshire SL4 5GD

## **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CENTRICA RESOURCES PETROLEUM UK LIMITED**

We have audited the financial statements of Centrica Resources Petroleum UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

#### **Basis of preparation**

We draw attention to note 1, which explains that following the transfer of the trade, assets and liabilities to another company, the going concern basis of accounting is not appropriate. Adjustments were made in the financial statements, where appropriate, to reduce assets to their estimated realisable values, to provide for liabilities arising from the decision, and to reclassify fixed assets and long-term liabilities as current assets and liabilities. Our opinion is not qualified in this respect.

**Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CENTRICA RESOURCES PETROLEUM UK LIMITED - CONTINUED**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors, London  
19 October 2008

# Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)

## Profit and loss account for the period ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	29,966,726	-
Cost of sales	3	(16,498,325)	(388,511)
<b>Gross profit</b>		<b>13,468,401</b>	<b>(388,511)</b>
Administrative expenses	4	(6,292,356)	(2,555,490)
<b>Operating profit/(loss) before exceptional items</b>	5	<b>7,176,045</b>	<b>(2,944,001)</b>
Exceptional items	7	157,751,504	-
<b>Operating profit/(loss)</b>		<b>164,927,549</b>	<b>(2,944,001)</b>
Interest receivable and similar income	8	166,574	280,303
Interest payable and similar charges	9	(6,421,933)	(2,301,783)
<b>Profit on ordinary activities before taxation</b>		<b>158,672,190</b>	<b>(4,965,481)</b>
Tax on profit on ordinary activities	10	(114,899)	35,339
<b>Profit for the financial year and retained profit for the financial year</b>	19	<b>158,557,291</b>	<b>(4,930,142)</b>

All activities relate to discontinued operations.

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

There are no recognised gains or losses other than those included in the profit and loss account for the period

A statement of movements in equity shareholders' funds is shown in note 19

The notes on pages 9 to 16 form part of these financial statements



**Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

**Balance Sheet as at 31 December 2007**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Intangible fixed assets	11	-	33,861,561
Tangible fixed assets	12	-	69,307,809
		-	103,169,370
<b>Current assets</b>			
Debtors (due within one year)	13	179,692,621	2,431,525
Cash at bank and in hand		-	14,617,307
		179,692,621	17,048,832
<b>Creditors (amounts falling due within one year)</b>	14	-	(15,580,253)
<b>Net current assets</b>		179,692,621	1,468,579
<b>Total assets less current liabilities</b>		179,692,621	104,637,949
<b>Creditors (amounts falling due after one year)</b>	15	-	(79,665,158)
<b>Provisions for liabilities and charges</b>	16	-	(3,837,461)
<b>Net assets</b>		179,692,621	21,135,330
<b>Capital and reserves - equity interests</b>			
Called up share capital	17	37,998,300	37,998,300
Share premium	18	1,757,700	1,757,700
Profit and loss account	18	139,936,621	(18,620,670)
<b>Shareholder funds</b>	19	179,692,621	21,135,330

The financial statements on pages 7 to 16 were approved and authorised for issue by the Board of Directors on 14 October 2008 and were signed on its behalf by



John Shears  
Director

The notes on pages 9 to 16 form part of these financial statements

## **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

### **Notes to financial statements for the year ended 31 December 2007**

#### **1. Statement of principal accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below

##### **(a) Basis of accounting**

The Financial Statements have been prepared under the historical cost convention in accordance with applicable United Kingdom financial reporting and accounting standards. On 31 December 2007 the trade, assets and liabilities of the Company were transferred to Centrica Resources Limited. As such the Company has ceased to trade, and as a result these accounts have been prepared on a break up basis.

##### **(b) Joint venture accounting**

The company's exploration, development and production activities are generally conducted through joint ventures with other companies and are accounted for as joint arrangements that are not entities under Financial Reporting Standard 9 such that the company accounts directly for its share of transactions conducted through the joint arrangement.

##### **(c) Intangible oil and gas assets**

Intangible oil and gas assets comprise licence acquisition, exploration and appraisal costs relating either to unevaluated properties or properties waiting further evaluation. When a decision to develop these properties has been taken, or there is evidence of impairment, the costs are transferred to the tangible oil and gas assets cost pool.

##### **(d) Exploration and development expenditure**

The company follows the full-cost method of accounting for oil and gas properties as set out in the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" published by the UK Oil Industry Accounting Committee. Proceeds from the disposal of interests are deducted from the cost pool.

##### **(e) Depreciation**

All capitalised costs within the pool of tangible oil and gas assets together with estimated future development costs are depreciated using the unit of production method based on commercial reserves. Other tangible fixed assets are depreciated on a straight-line basis over 3 years.

##### **(f) Impairment**

Each year management assesses the recoverability of the oil and gas asset pool by comparison with the estimated discounted future net revenues of proven reserves within the pool in accordance with Financial Reporting Standard 11. A provision is made where there has been impairment in the capitalised value of the cost pool.

##### **(g) Commercial reserves**

Commercial reserves are proved and probable developed and undeveloped oil and gas reserves, as defined in the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" published by the Oil Industry Accounting Committee.

##### **(h) Decommissioning**

Provision is made for the present value of the future cost of abandonment of production platforms, pipelines and terminal facilities. This provision is recognised when the asset is installed. The estimated costs, based on engineering cost levels prevailing at the balance sheet date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. The corresponding amount is capitalised as part of tangible fixed assets and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the reassessment of estimated cost of decommissioning is capitalised, whilst the charge arising from the unwinding of the discount applied to the abandonment provision is treated as a component of the interest charge.

## **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

### **Notes to financial statements for the year ended 31 December 2007 - continued**

#### **(i) Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

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

#### **(j) Foreign currency**

Foreign currency transactions are translated at the average monthly exchange rate. Foreign currency balances at year-end are translated at the exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account. Year-end exchange rates used were \$1.96 (2007) and \$1.72 (2006)

#### **(k) Effect of changing estimates**

Changes in reserve and throughput estimates, anticipated future development costs, future abandonment costs and other variables used in unit of production calculations are accounted for prospectively over the estimated remaining life of the relevant field, with effect from the beginning of the period in which they arise

#### **(l) Operating leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term

#### **(m) Turnover**

Turnover represents the invoiced value for the sale of gas and condensate and is recognised upon delivery of the product

#### **(n) Exemptions**

As the Company is a wholly owned subsidiary of Centrica Resources UK Holdings Limited which is a wholly owned subsidiary of Centrica plc, the Company has taken advantage of the exemptions within FRS 1, "Cash Flow Statements" from presenting a cash flow statement and within FRS 8, "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group

### **2. Turnover**

Turnover relates to principal activities of the business and arises wholly in North West Europe. Sales during the year amounted to £29,966,726 (2006: £nil)

### **3. Cost of sales**

Cost of sales includes depreciation of the producing assets and reservation fees incurred for the use of pipelines adjacent to the Company's fields in the North Sea. This reservation fee is paid on monthly basis whether or not throughput is achieved as planned

# Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)

## Notes to financial statements for the year ended 31 December 2007 - continued

### 4. Administrative expenses

	2007 £	2006 £
Overhead costs	(6,178,667)	(2,489,869)
Depreciation of other fixed assets	(113,689)	(65,621)
	<u>(6,292,356)</u>	<u>(2,555,490)</u>

### 5. Operating profit/(loss)

Profit on ordinary activities before taxation is stated after charging

	2007 £	2006 £
Auditors' remuneration- audit fees	35,000	23,000
Employee costs	6,253,041	976,967
Depreciation of exploration and production assets	10,897,094	65,621
Foreign currency (gain)/loss	(35,183)	455,747
Operating lease costs – office	489,760	194,308

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of Centrica Resources Petroleum UK Limited. In line with Tech 6/06, 'Disclosure of auditor remuneration', issued by the ICAEW, it excludes fees in relation to the audit of the IFRS group consolidation schedules for the purpose of the Centrica Group audit, which are borne by Centrica plc

### 6. Directors and employees

#### Highest paid director

The aggregate remuneration of the highest paid director in the year was £2,491,813 (2006 £298,673)

#### Employee costs

	2007 £	2006 £
Wages and salaries	2,733,361	558,830
Social security costs	688,879	97,260
Directors' emoluments	2,830,801	320,877
	<u>6,253,041</u>	<u>976,967</u>

#### Employee numbers

The average number of employees, all of whom were administrative employees, during the period ended 31 December 2007 was 11 (2006 8)

### 7. Exceptional items

On 31 December 2007, the trade, assets and the liabilities of the Company were sold at fair value to Centrica Resources Limited, another 100% owned Centrica plc subsidiary company, for consideration of £179,692,621. The net book value of the assets and liabilities sold amounted to £21,941,117 and resulted in a profit on disposal, before tax of £157,751,504. As a result of this transaction, the Company has ceased to trade.

# Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)

## Notes to financial statements for the year ended 31 December 2007-continued

### 8. Interest receivable and similar income

	2007 £	2006 £
Bank interest	145,339	209,662
Other interest	21,235	70,391
Other income	-	250
	<u>166,574</u>	<u>280,303</u>

### 9. Interest payable and similar charges

	2007 £	2006 £
Interest payable to other group companies (prior to acquisition)	(3,920,764)	(2,228,850)
Interest payable to other group companies (post acquisition)	(1,960,268)	-
Notional interest arising on discounted items (prior to acquisition)	(312,629)	(72,933)
Notional interest arising on discounted items (post acquisition)	(228,272)	-
	<u>(6,421,933)</u>	<u>(2,301,783)</u>

### 10. Tax on profit on ordinary activities

#### (a) Analysis of tax charge in the period

The tax charge comprises

	2007 £	2006 £
<b>Current tax:</b>		
- UK corporation tax at 30%	49,973	-
- Adjustments in respect of prior years	64,926	(35,339)
Total current tax	<u>114,899</u>	<u>(35,339)</u>
<b>Deferred tax:</b>		
- Origination and reversal of timing differences	-	-
Taxation charge	<u>114,899</u>	<u>(35,339)</u>

# Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)

## Notes to financial statements for the year ended 31 December 2007-continued

### (b) Factors affecting the tax charge for the period

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

	2007 £	2006 £
<b>Profit/(loss) on ordinary activities before tax</b>	<b>158,672,190</b>	<b>(4,965,481)</b>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	47,601,657	(1,489,644)
Effects of		
Expenses not deductible for tax purposes	8,428	686,017
Profit on disposal not taxable	(47,325,451)	-
Exploration supplement	(2,004,405)	(2,050,238)
Accelerated capital allowances and other timing differences	(1,323,162)	(24,310,718)
Losses not utilised	3,092,906	27,164,583
Adjustments to tax charge in respect of previous periods	64,926	(35,339)
<b>Current tax charge for the year</b>	<b>114,899</b>	<b>(35,339)</b>

No entry has been made in these accounts for a potential net deferred tax asset of £nil (2006 £21,154,251) resulting from carry forward trading losses and accelerated capital allowances. A deferred tax asset would only be recognised where there is reasonable certainty that suitable taxable profits will be generated in the future.

### 11. Intangible fixed assets

	Exploration and appraisal costs £
<b>Cost</b>	
At 1 January 2007	33,861,561
Additions	
Disposals	(33,861,561)
As at 31 December 2007	-
<b>Amortisation</b>	
At 1 January 2007	-
Impairment charge for the period	-
As at 31 December 2007	-
<b>Net book value as at 31 December 2007</b>	<b>-</b>
Net book value as at 31 December 2006	33,861,561

The intangible fixed assets were transferred to Centrica Resources Limited at fair value on 31<sup>st</sup> December 2007

# Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)

## Notes to financial statements for the year ended 31 December 2007-continued

### 12. Tangible fixed assets

	Exploration and production £	Office equipment £	Total £
<b>Cost</b>			
As at 1 January 2007	79,404,412	437,451	79,841,863
Additions	12,799,260	519,523	13,318,783
Revisions of abandonment asset	6,777,925	-	6,777,925
Disposals	(98,981,597)	(956,974)	(99,938,571)
<b>As at 31 December 2007</b>	-	-	-
<b>Depreciation and amortisation</b>			
As at 1 January 2007	10,217,461	316,593	10,534,054
Charge for the period	10,897,094	113,689	11,010,783
Disposals	(21,114,555)	(430,282)	(21,544,837)
<b>As at 31 December 2007</b>	-	-	-
<b>Net book value as at 31 December 2007</b>	-	-	-
Net book value as at 31 December 2006	69,186,951	120,858	69,307,809

Oil and gas tangible assets relate to the development and evaluated property costs capitalised in the UK full cost pool and include abandonment costs capitalised, the net book amount of which at 31 December 2007 is £nil (2006 £3,764,528)

The tangible fixed assets were transferred to Centrica Resources Limited at fair value on 31<sup>st</sup> December 2007

### 13. Debtors: due within one year

	2007 £	2006 £
Amounts due from Group undertakings	179,692,621	-
Other debtors	-	1,992,474
Prepayments	-	439,051
	<b>179,692,621</b>	<b>2,431,525</b>

On 31 December 2007, the trade, assets and liabilities of the Company were transferred at fair value to Centrica Resources Limited in return for an intercompany loan receivable. The intercompany loan is repayable on demand and bears interest at LIBOR plus 50 basis points.

### 14. Creditors: Amounts falling due within one year

	2007 £	2006 £
Trade creditors	-	12,529,480
Amounts due to group undertakings	-	2,911,422
Taxation and social security	-	139,351
	<b>-</b>	<b>15,580,253</b>

# Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)

## Notes to financial statements for the year ended 31 December 2007-continued

### 15. Creditors: Amounts falling due after one year

	2007 £	2006 £
Amounts due to group undertaking	-	77,493,664
Accrued liabilities	-	2,171,494
	<u>-</u>	<u>79,665,158</u>

Amounts due to group undertaking in 2006 was an unsecured loan, repayable on demand and bearing interest at LIBOR plus 1%. In 2006 the parent had confirmed that it would not demand repayment of the amounts due within one year. Interest for the year of £5,881,032 (2006 £2,135,387) has been included in the Profit and Loss account. Following acquisition by the Centrica Group the terms of the intercompany loan were changed such that interest was charged at LIBOR plus 50 basis points.

Accrued liabilities comprise the fair value of an incentive payments scheme which was opened in March 2004 and closed, settling all liabilities in October 2007.

On 31 December 2007, the trade, assets and liabilities of the Company were transferred to Centrica Resources Limited.

### 16. Provisions for liabilities and charges

	Decommissioning costs £
As at 1 January 2007	3,837,461
Revisions to estimate	6,777,925
Profit and loss charge	540,901
Disposal	(11,156,287)
As at 31 December 2007	<u>-</u>

On 31 December 2007, the trade, assets and liabilities of the Company were transferred at fair value to Centrica Resources Limited. The revision to the abandonment reflects changes in assumptions and variables contributing to the final estimate.

### 17. Called-up share capital

	2007 £	2006 £
<b>Authorised:</b>		
1,000,000 ordinary shares of £100 each	<u>100,000,000</u>	<u>100,000,000</u>
<b>Allotted, called up and fully paid</b>		
379,983 Ordinary shares of £100 each	<u>37,998,300</u>	<u>37,998,300</u>



# **Centrica Resources Petroleum UK Limited (formerly Newfield Petroleum UK Limited)**

## **Notes to financial statements for the year ended 31 December 2007-continued**

### **18. Reserves**

	<b>Share premium account £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 January 2007	1,757,000	(18,620,670)	(16,863,670)
Profit for the year	-	158,557,291	158,557,291
<b>At 31 December 2007</b>	<b>1,757,000</b>	<b>139,936,621</b>	<b>141,693,621</b>

### **19. Reconciliation of movements in shareholder's funds**

	<b>2007 £</b>	<b>2006 £</b>
At 1 January	21,135,330	26,065,472
Profit for the year	158,557,291	(4,930,142)
<b>As at 31 December</b>	<b>179,692,621</b>	<b>21,135,330</b>

### **20. Ultimate parent company**

The Company is a wholly owned subsidiary undertaking of Centrica Resources UK Holdings Limited (formerly Newfield UK Holdings Limited), a company registered in England and Wales. Up until 5 October 2007, Newfield Exploration Company, a company incorporated in the United States of America, was the Company's ultimate holding company. On 5 October 2007, the Company became an indirect wholly owned subsidiary undertaking of Centrica plc, the only group to consolidate the financial statements of the Company. Copies of the Annual Report and Accounts of Centrica plc may be obtained from [www.centrica.com](http://www.centrica.com)