

CENTRICA RESOURCES (ARMADA) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007



REGISTERED NO: 04181384

Centrica Resources (Armada) Limited

Directors' report for the year ended 31 December 2007

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

Principal activities

The principal activities of the Company comprise the exploration, development and production of oil and gas reserves. The principal areas of activity are within the United Kingdom sector of the North Sea.

Business review

Oil and liquids production averaged 164 barrels per day (net) for the year ended 31 December 2007 (year ended 31 December 2006 307 barrels per day (net)). Gas production averaged 4.36 million cubic feet per day (net) for the year ended 31 December 2007 (year ended 31 December 2006 9.74 million cubic feet per day (net)).

Financial results

The results of the company are set out on page 5.

The Company's profit for the year ended 31 December 2007 of £5,923,000 (2006 £6,149,000) has been transferred to reserves.

Dividends

No dividends were paid for the year ended 31 December 2007 (2006 £nil).

Principal risks and uncertainties and financial risk management

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Centrica plc Group (the "Group") and are 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.

Exposure to commodity price risk, counterparty credit risk and liquidity risk arises in the normal course of the Company's business and is managed within parameters set by the Directors.

The most significant financial risk facing the Company relates 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 is 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.

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Exposure to credit risk 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 is sufficient financial headroom for at least the subsequent 12 month period.

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

Centrica Resources (Armada) Limited

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

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, performance and position of the Group, which includes the Company, are discussed on pages 14-15 of the 2007 Annual Report and Accounts of Centrica plc group which does not form part of this report.

Future developments

There are no plans to change the nature of activities in the foreseeable future. The Company is in a good position to take advantage of any opportunities which may arise in the future.

Directors

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

John Shears
Peter Cole
Richard Mew
Simon Clark (appointed 28 November 2007)
Mark Hanafin (appointed 31 July 2008)
Michael Garstang (resigned 30 June 2008)
Jake Ulrich (resigned 31 July 2008)

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. Except for any related party disclosures disclosed in the 2007 Annual Report and Accounts of Centrica plc group, there have been no other disclosable related party transactions during the year (2006: £nil).

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 49 days (31 December 2006: 74 days).

Political and charitable donations

The Company made no political or charitable donations during the year (2006: £nil).

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.

Centrica Resources (Armada) Limited

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

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors 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 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

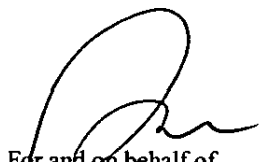
Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Director's 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 (Armada) Limited

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDER OF CENTRICA RESOURCES (ARMADA) LIMITED

We have audited the financial statements of Centrica Resources (Armada) 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.

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

1 Embankment Place

London,

WC2N 6RH

10 October 2008

Centrica Resources (Armada) Limited

Profit and Loss Account for the year ended 31 December 2007

		2007 £000	2006 £000
	NOTES		
Turnover	2	8,772	25,674
Cost of sales		(7,815)	(9,552)
Operating profit		957	16,122
Investment income	5	-	746
Interest receivable	6	7	-
Interest payable and similar charges	6	(59)	(59)
Profit on ordinary activities before taxation	3	905	16,809
Tax on profit on ordinary activities	7	5,018	(10,660)
Profit for the financial year and retained profit for the financial year		5,923	6,149

All activities relate to continuing operations

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

There are no differences between historical cost profits and the profit on ordinary activities before taxation and profit for the financial year stated above

A statement of movements in equity shareholders' funds is shown in note 16

The notes on pages 7 to 13 form part of these financial statements

Centrica Resources (Armada) Limited**Balance Sheet as at 31 December 2007**

	Note	2007 £000	2006 £000
Fixed assets			
Tangible fixed assets	8	7,131	8,581
Investments	9	1,001	1,001
		<u>8,132</u>	<u>9,582</u>
Current assets			
Debtors (amounts receivable within one year)	10	76,242	80,422
Cash at bank and in hand		501	616
		<u>76,743</u>	<u>81,038</u>
Creditors (amounts falling due within one year)	11	(11,341)	(21,721)
Net current assets		65,402	59,317
Total assets less current liabilities		73,534	68,899
Provisions for liabilities and charges	12 & 13	<u>(3,132)</u>	<u>(4,420)</u>
Net assets		<u>70,402</u>	<u>64,479</u>
Capital and reserves			
Called up share capital	14	42,926	42,926
Profit and loss account	15	<u>27,476</u>	<u>21,553</u>
Total equity shareholder funds	16	<u>70,402</u>	<u>64,479</u>

The financial statements on pages 5 to 13 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 7 to 13 form part of these financial statements

Centrica Resources (Armada) Limited

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

1 Principal accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with United Kingdom Accounting Standards and the Companies Act 1985. The accounting policies, where applicable, are in accordance with the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' as issued by the UK Oil Industry Accounting Committee on 7 June 2001. The following policies have been applied consistently to the Company's financial statements.

b) Exemptions

As the Company is a wholly owned subsidiary of GB Gas Holdings Limited which is a wholly owned subsidiary of Centrica plc, the Company has taken advantage of the exemptions within Financial Reporting Standard No. 1 "Cash Flow Statements" from presenting a cash flow statement and within Financial Reporting Standard No. 8 "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

c) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Where the Company has ongoing obligations to provide services, revenues are apportioned on a time basis, and those monies received in advance are treated as deferred income and excluded from current turnover.

d) Cost of sales

Cost of sales include the cost of gas produced, and related transportation and royalty costs, bought in materials and services, and direct labour and related overheads on installation works, repairs and service contracts.

e) Underlift and overlift

Any short term imbalances between cumulative oil and gas production entitlement and cumulative sales are accounted for as underlift or overlift in line with the SORP. This is accounted for on the entitlement basis, where adjustments in respect of underlift or overlift are recorded against cost of sales at market value.

f) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at closing rates of exchange. Exchange differences on monetary assets and liabilities are taken to the profit and loss account. Year end exchange rates used were £1 \$1 983 (2006 £1 \$1 959).

g) Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment. Other tangible fixed assets, except exploration and production assets, are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives.

Assets held under finance leases are depreciated over the shorter of the lease term or their useful economic life.

Exploration and production assets are depreciated from the commencement of production in the fields concerned, using the successful efforts and unit of production methods, as defined in the SORP, based on all of the proven and probable reserves of those fields. Changes in these estimates are dealt with prospectively. The net carrying value of fields in production is compared on a field-by-field basis with the likely future net revenues to be derived from the estimated remaining commercial reserves. A provision is made where it is considered that recorded amounts are unlikely to be fully recovered from the net present value of future net revenues.

h) Investments

Other fixed asset investments are included in the balance sheet at cost, less any provisions for impairment as necessary.

Centrica Resources (Armada) Limited

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

1 Principal accounting policies-continued

i) Decommissioning costs

Provision is made for the net present cost of decommissioning gas production facilities. A corresponding tangible fixed asset is recognised in respect of the decommissioning costs, based on price levels and technology at the balance sheet date. This asset is amortised using the unit of production method, based on proven and probable developed reserves. Notional interest charges arise over time, based upon the discounted decommissioning liabilities.

j) Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis.

k) 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.

l) Commercial reserves

Commercial reserves are proved and probable developed and undeveloped oil and gas reserves as defined in the SORP.

2 Segmental analysis

Turnover relates to the principal activity of the business and arose wholly in the United Kingdom.

Centrica Resources (Armada) Limited

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

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2007 £000	2006 £000
Depreciation and amortisation	2,176	3,705
Auditors' remuneration- audit fees	6,000	7,000

Auditors' remuneration of £6,000 (2006 £7,000) relates to fees for the audit of the UK GAAP statutory accounts of Centrica Resources (Armada) 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. Prior year audit fees have been restated to reflect this change.

4 Directors and employees

i) Directors' remuneration

None of the Directors received any fees or remuneration from the Company for services as Director of the Company during the financial year. All of the Directors who served during the period are members of the ultimate parent company's defined benefit pension scheme.

ii) Employee costs and numbers

The Company does not have any employees (2006 nil).

5 Investment income

Investment income of £nil (2006 £746,000) is comprised of distributions by the Centrica Gas Production Limited Partnership, in which the company participates. Further information regarding this investment is given in note 9.

6 Interest payable and similar charges

	2007 £000	2006 £000
i) Interest receivable and similar income:		
Other	7	-
	<u>7</u>	<u>-</u>
ii) Interest payable and similar charges		
Notional interest arising on discounted items	39	51
Other interest payable	20	8
	<u>59</u>	<u>59</u>

Centrica Resources (Armada) Limited

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

7 Tax on profit on ordinary activities

a) Analysis of tax charge in the period

The tax charge comprises

	2007 £000	2006 £000
Current tax:		
- UK corporation tax at 30%	2,076	6,216
- Supplemental Upstream Tax at 20%	428	3,510
- Adjustments in respect of prior years	(6,567)	(4)
Total current tax	(4,063)	9,722
Deferred tax:		
- Effect of increase in supplementary charge rate	-	216
- Origination and reversal of timing differences	(955)	722
Taxation charge	(5,018)	10,660

(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 £000	2006 £000
Profit/(loss) on ordinary activities before tax	905	16,809
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30%	271	5,043
Effects of		
Expenses not deductible for tax purposes	319	561
Utilisation of timing differences	29	92
Depreciation in excess of capital allowances	(12)	(284)
Partnership profit share	29	(150)
UK transfer pricing adjustment	1,440	954
Supplementary charge applicable to upstream profits	428	3,510
Adjustments to tax charge in respect of previous periods	(6,567)	(4)
Current tax charge for the year	(4,063)	9,722

Centrica Resources (Armada) Limited

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

8 Tangible fixed assets

	Exploration Development & Production
	£000
Cost	
As at 1 January 2007	39,352
Additions	1,098
Revision of abandonment estimate	(372)
As at 31 December 2007	40,078
Depreciation and amortisation	
As at 1 January 2007	30,771
Charge for the period	2,176
As at 31 December 2007	32,947
Net book value as at 31 December 2007	7,131
Net book value as at 31 December 2006	8,581

The net book value of the asset associated with the Company's decommissioning costs at 31 December 2007 was £431,421 (31 December 2006 £861,000)

9 Fixed asset investments

	Investment in partnership undertaking £000
Cost and net book value	
As at 1 January and 31 December 2007	1,001

The above investment is a capital contribution of £1,001,000 to The Centrica Gas Production Limited Partnership. This partnership has the objective of carrying on the business of extraction, production and sale of oil and gas. The partnership is a qualifying partnership under the Partnerships and Unlimited Companies (Accounts) Regulations of 1993.

10 Debtors

	Within one year 2007 £000	Within one year 2006 £000
Amounts due from group undertakings	75,684	80,060
Taxation and social security	336	-
Other debtors	222	362
	76,242	80,422

Centrica Resources (Armada) Limited

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

11 Creditors (amounts falling due within one year)

	2007 £000	2006 £000
Trade creditors	3	1,012
Amounts owed to group undertakings	10,463	1,684
Taxation and social security	-	18,841
Accruals	875	184
	11,341	21,721

12 Provisions for liabilities and charges

	Decommissioning costs £000	Deferred CT £000	Total £000
As at 1 January 2007	2,616	1,804	4,420
Revisions	(372)	-	(372)
Profit and loss charge	39	(955)	(916)
As at 31 December 2007	2,283	849	3,132

Decommissioning costs

Provision has been made for the estimated net present cost of decommissioning gas production facilities at the end of their producing lives. The estimate has been based on proven and probable reserves, price levels and technology at the balance sheet date. The timing of decommissioning payments are dependent on the lives of a number of fields but are anticipated to occur between 2008 and 2040. The revision in the year is due to an decrease in the estimate for gas field abandonment costs. The profit and loss charge includes £39,000 of notional interest (2006 £51,000).

13 Deferred taxation

A deferred tax provision has been made in respect of accelerated capital allowances and other timing differences, net of recognised deferred tax assets. As required by FRS 19, deferred tax assets are only recognised when there is persuasive and reliable evidence that the assets can be realised. Detailed operating plans covering two years from the balance sheet date are used for deferred tax asset recognition purposes. Potential deferred tax asset utilisation falling outside that planning horizon is not currently recognised on the balance sheet. As encouraged by FRS 19, deferred tax asset recognition will be regularly reassessed.

Deferred corporation tax provision at 50% (31 December 2006 50%) is analysed as follows

	Amounts provided		Potential amounts unprovided	
	2007 £000	2006 £000	2007 £000	2006 £000
Accelerated capital allowances	1,947	1,928	-	-
Other timing differences	(1,099)	(124)	-	(878)
	849	1,804	-	(878)

Centrica Resources (Armada) Limited

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

14 Share capital

	2007 £000	2006 £000
Authorised:		
45,000,000 ordinary shares of £1 each	45,000	45,000
Allotted, called up and fully paid		
42,926,001 ordinary shares of £1 each	42,926	42,926

15 Reserves

	Profit and loss account £000
At 1 January 2007	21,553
Profit for the year	5,923
At 31 December 2007	27,476

16 Reconciliation of movements in equity shareholders' funds

	2007 £000	2006 £000
At 1 January	64,479	58,330
Profit for the year	5,923	6,149
As at 31 December	70,402	64,479

17 Commitments and contingent liabilities

The Company has no contingent liabilities other than those arising in the ordinary course of business

Contracted future capital expenditure as at 31 December 2007 was £nil (31 December 2006 £nil)

18 Ultimate holding company

The Company is a wholly owned subsidiary undertaking of GB Gas Holdings Limited which is a wholly owned subsidiary undertaking of Centrica plc, a company registered in England, which is the ultimate holding company. Copies of the financial statements of Centrica plc are available from www.centrica.com.

Centrica Resources (Armada) Limited

GAS & LIQUID RESERVES (unaudited)

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

	2007 UK	2006 UK
As at 1 January	10.4	13.3
Revisions of previous estimates	1.1	0.7
Production	(1.6)	(3.6)
As at 31 December	9.9	10.4

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

	2007 UK	2006 UK
As at 1 January	0.6	0.3
Revisions of previous estimates	(0.02)	0.4
Production	(0.06)	(0.1)
As at 31 December	0.52	0.6

Liquids reserves include condensate, propane butane and oil