

CENTRICA (HORNE & WREN) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2008



REGISTERED NO: 04594558

Centrica (Horne & Wren) Limited

Directors' Report for the year ended 31 December 2008

The Directors present their report and the audited financial statements of Centrica (Horne & Wren) Limited (the "Company") for the year ended 31 December 2008.

Principal activities

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

Business review

Gas production averaged 20.8 million cubic feet per day (net) for the year ended 31 December 2008 (2007: 37.3 million cubic feet per day (net)).

Financial results

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

The loss on ordinary activities after taxation for the year ended 31 December 2008 is £7,972,000 (2007: £38,521,000 profit).

Financial Position

The financial position of the Company is presented in the balance sheet on page 6. Shareholders' funds at 31 December 2008 were £47,089,000 (2007: £55,061,000)

Dividends

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2007: £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 31-34 of the 2008 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 arise 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 or exposure to credit risk arises in the normal course of operations as a result of the potential for a customer defaulting on their payable balance. In the case of external business customers, credit risk is managed by checking a company's creditworthiness and financial strength both before commencing to trade and during a business relationship. An ageing of receivables is monitored and used to manage the exposure to credit risk.

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 (Horne & Wren) Limited

Directors' report for the year ended 31 December 2008- 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 and performance, which includes the Company, are discussed on pages 12-13 of the 2008 Annual Report and Accounts of the 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 signing this report:

Simon Clark

Peter Cole

John Shears

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. There have been no other disclosable related party transactions during the year (2007: £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 2008 was 138 days (2007: 75 days).

Political and charitable donations

There were no political donations made during the year (2007: £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. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Centrica (Horne & Wren) Limited

Directors' report for the year ended 31 December 2008- continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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). The financial statements are required by law to 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;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 they are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 21 May 2009



For and on behalf of
Centrica Secretaries Limited
Company Secretary

21 May 2009

Registered Office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

Centrica (Horne & Wren) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRICA (HORNE & WREN) LIMITED

We have audited the financial statements of Centrica (Horne & Wren) Limited for the year ended 31 December 2008 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 Annual Report and 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Gas Reserves. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

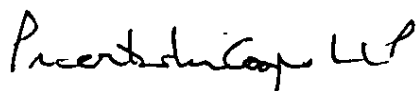
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 and of its loss 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

21 May 2009

Centrica (Horne & Wren) Limited**Profit and Loss Account for the year ended 31 December 2008**

	Note	2008 £000	2007 £000
Turnover	2	40,404	37,655
Cost of sales		(8,824)	(15,035)
Operating profit		31,580	22,620
Investment income	5	-	44,393
Interest payable and similar charges	6	(20,721)	(22,862)
Profit on ordinary activities before taxation	3	10,859	44,151
Tax on profit on ordinary activities	7	(18,831)	(5,630)
(Loss) / profit for the financial year and retained (loss) / profit for the financial year		(7,972)	38,521

All activities relate to continuing operations.

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

There are no material differences between historical cost profits and the profit on ordinary activities before taxation and profit for the financial year as 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 (Horne & Wren) Limited
Balance Sheet as at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible fixed assets	8	52	4,450
Investments	9	<u>459,622</u>	<u>459,622</u>
		<u>459,674</u>	<u>464,072</u>
Current assets			
Debtors (amounts receivable within one year)	10	238,941	47,901
Cash at bank and in hand		40	163
		<u>238,981</u>	<u>48,064</u>
Creditors (amounts falling due within one year)	11	<u>(647,477)</u>	<u>(453,056)</u>
Net current liabilities		(408,496)	(404,992)
Total assets less current liabilities		51,178	59,080
Provisions for liabilities and charges	12 & 13	<u>(4,089)</u>	<u>(4,019)</u>
Net assets		<u>47,089</u>	<u>55,061</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	<u>47,089</u>	<u>55,061</u>
Total equity shareholder funds	16	<u>47,089</u>	<u>55,061</u>

The financial statements on pages 5 to 13 were approved and authorised for issue by the Board of Directors on 21 May 2009 and were signed on its behalf by:



Simon Clark
Director

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

Centrica (Horne & Wren) Limited

Notes to the financial statements for the year ended 31 December 2008

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.

The Directors believe that the going concern basis is applicable for the preparation of the accounts as the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. In particular the amounts owed to Group undertakings will not be required to be repaid for the foreseeable future.

b) Exemptions

As the Company is a wholly owned subsidiary of Centrica plc and is included in the consolidated financial statements of the Centrica group which are publicly available, 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.

d) Foreign currencies

The financial statements of the Company are presented in sterling, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at either the exchange rate ruling at the date of the transaction or the rate that they have been hedged at using forward contracts (see 'Financial Instruments' below). Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the rate that they have been hedged at using forward contracts.

e) 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.

f) Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment.

Production assets are depreciated from the commencement of production in the fields concerned, using the unit of production method, 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.

g) Investments

Fixed asset investments are included in the Balance Sheet at cost, less any provisions for impairment as necessary.

Investment income is recognised as distributions are received.

Centrica (Horne & Wren) Limited

Notes to the financial statements for the year ended 31 December 2008 - continued

1 Principal accounting policies- continued

h) 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.

i) 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 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) 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.

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2008 £000	2007 £000
Depreciation and amortisation	4,380	10,114
Auditors' remuneration- audit fees	9	10

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of Centrica (Horne & Wren) 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 (Horne & Wren) Limited. Prior year audit fees have been restated to reflect the inclusion of an element of the Centrica Group fee.

Charges for auditors' remuneration in the period have been borne by Hydrocarbon Resources Limited, another Group company.

Centrica (Horne & Wren) Limited

Notes to the financial statements for the year ended 31 December 2008 - continued

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.

5 Investment income

Investment income of £nil (2007: £44,393,000) 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

	2008 £000	2007 £000
Interest payable on loans from parent company	(20,610)	(21,770)
Notional interest arising on discounted items	(88)	(79)
Other interest payable	(23)	(1,013)
	<u>(20,721)</u>	<u>(22,862)</u>

7 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period

The tax charge comprises:

	2008 £000	2007 £000
Current tax:		
- UK corporation tax at 28.5% (2007: 30%)	111,804	42,876
- Additional charges applicable to upstream profits at 21.5% (2007: 20%)	88,513	24,345
- Adjustments in respect of prior years	9,683	(10,797)
Total current tax	<u>210,000</u>	<u>56,424</u>
Deferred tax:		
- Origination and reversal of timing differences	(190,658)	(50,974)
- Adjustments in respect of prior years	(511)	180
Taxation charge	<u>18,831</u>	<u>5,630</u>

Centrica (Horne & Wren) Limited

Notes to the financial statements for the year ended 31 December 2008 - continued

7 Tax on profit on ordinary activities - 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:

	2008 £000	2007 £000
Profit on ordinary activities before tax	10,859	44,151
Tax on profit/ on ordinary activities at standard UK corporation tax rate of 28.5% (2007: 30%)	3,095	13,245
Effects of:		
Expenses not deductible for tax purposes	105	149
Timing differences not recognised	(8)	412
Depreciation in excess of capital allowances	1,176	2,581
UK- UK transfer pricing	(70)	(309)
Share of partnership income	107,506	26,798
Supplementary charge applicable to upstream profits	88,513	24,345
Adjustments to tax charge in respect of previous periods	9,683	(10,797)
Current tax charge for the year	210,000	56,424

From 1 April 2008 the standard rate of UK corporation tax reduced to 28%.

8 Tangible fixed assets

	Exploration Development & Production £000
Cost	
As at 1 January 2008	32,408
Revision of abandonment estimate	(18)
As at 31 December 2008	32,390
Depreciation and amortisation	
As at 1 January 2008	27,958
Charge for the period	4,380
As at 31 December 2008	32,338
Net book value as at 31 December 2008	52
Net book value as at 31 December 2007	4,450

Centrica (Horne & Wren) Limited

Notes to the financial statements for the year ended 31 December 2008 - continued

9 Fixed asset investments

	Investment in partnership undertaking £000
Cost and net book value	
As at 1 January 2008	459,622
Investment in year	-
As at 31 December 2008	<u>459,622</u>

The investment balance represents the Company's interest in 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 2008 £000	Within one year 2007 £000
Deferred tax asset	238,941	47,772
Other debtors	-	129
	<u>238,941</u>	<u>47,901</u>

11 Creditors (amounts falling due within one year)

	2008 £000	2007 £000
Amounts owed to group undertakings	385,575	391,165
Taxation and social security	260,222	60,885
Accruals	1,680	1,006
	<u>647,477</u>	<u>453,056</u>

12 Provision for liabilities and charges

	Decommissioning costs £000	Deferred CT £000	Total £000
As at 1 January 2008	4,019	-	4,019
Revisions	(18)	-	(18)
Profit and Loss charge	88	(191,169)	(191,081)
Transfer to debtors	-	191,169	191,169
As at 31 December 2008	<u>4,089</u>	<u>-</u>	<u>4,089</u>

Centrica (Horne & Wren) Limited

Notes to the financial statements for the year ended 31 December 2008 - continued

12 Provision for liabilities and charges - continued

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 life of the field but are anticipated to occur between 2009 and 2011. The revision in the year is due to a decrease in the estimate for gas field abandonment costs. The profit and loss charge includes £88,000 (2007: £79,000) of notional interest.

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/(asset) at 50% (2007: 50%) is analysed as follows:

	Amounts provided		Potential amounts unprovided	
	2008 £000	2007 £000	2008 £000	2007 £000
Accelerated capital allowances	24	2,086	-	-
Other timing differences	(238,965)	(49,858)	-	-
	<u>(238,941)</u>	<u>(47,772)</u>	<u>-</u>	<u>-</u>

14 Share Capital

	2008 £	2007 £
Authorised:		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid:		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

15 Reserves

	Profit and loss account £000
At 1 January 2008	55,061
Loss for the year	<u>(7,972)</u>
At 31 December 2008	<u>47,089</u>

Centrica (Horne & Wren) Limited

Notes to the financial statements for the year ended 31 December 2008 - continued

16 Reconciliation of movements in equity shareholders' funds

	2008	2007
	£000	£000
At 1 January	55,061	16,540
(Loss) / Profit for the year	<u>(7,972)</u>	<u>38,521</u>
As at 31 December	<u>47,089</u>	<u>55,061</u>

17 Commitments and contingent liabilities

Capital expenditure

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

Contracted future capital expenditure as at 31 December 2008 was £nil (2007 £nil).

18 Ultimate parent undertaking

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

The 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 financial statements of Centrica plc are available from www.centrica.com.

Centrica (Horne & Wren) Limited**Gas Reserves (unaudited)****Estimated net proven and probable reserves of gas (billion cubic feet)**

	2008	2007
	UK	UK
As at 1 January	8.2	14.7
Revisions of previous estimates	-	7.1
Production	(7.6)	(13.6)
As at 31 December	<u>0.6</u>	<u>8.2</u>