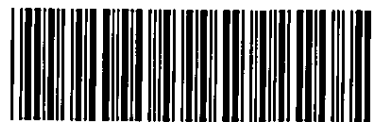


Centrica Onshore Processing UK Limited
Annual report for the year ended 31 December 2007

Registered Number: 4037670

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Centrica Onshore Processing UK Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the audited Financial Statements of Centrica Onshore Processing UK Limited (the "Company") for the year ended 31 December 2007

Principal activities

The principal activity of the Company is the processing of gas in the United Kingdom. For the purposes of the Companies Act 1985, this constitutes one class of business.

Business review

The directors expect the Company to continue to trade profitably in the foreseeable future. The current processing contract expires when production becomes uneconomic from the fields to which it relates, this is currently forecast to be in 2015. The services provided and tariffs received under the processing contract are currently subject to review.

Financial results

The results for the year are set out in the Profit and Loss Account on page 5. The profit for the year of £1.3 million (2006 profit of £1.2 million) has been transferred to reserves.

Dividend

The directors do not recommend the payment of a dividend in respect of the year (year ended 31 December 2006: £nil).

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to the risks outlined below. Liquidity risk represents the most significant financial risk to the Company. Further discussion of these risks and uncertainties in the context of the group as a whole is provided on pages 25 to 27 of the Centrica plc Annual Report and Accounts 2007.

Financial risk management

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

The Centrica Storage group of companies has a Financial Risk Management Committee which meets on a regular basis. The Company does not take part in hedging activity of any kind.

Liquidity risk

Cash forecasts identifying the liquidity requirements of the Company are produced frequently and monitored by the Directors.

Operational risk

The Company is exposed to operational and health and safety risk through its operation of the Onshore processing assets. Through the use of an Integrated Management System the company identifies the hazards and assesses the risks associated with its activities and decisions on a continuous basis. Through the assessment of the risk the Company ensures appropriate measures are in place to mitigate or manage those risks so as to prevent / reduce the impact of potential accidents or incidents on people and the business.

Centrica Onshore Processing UK Limited

Directors' report for the year ended 31 December 2007 (continued)

Key performance indicators (KPIs)

Given the straightforward nature of the business the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance, or position of the business

Directors

Directors during the year and up to the date of this report were as follows

G E Sibbick

B D Walker

M J Garstang (resigned on 27th June 2008)

At no time during the year ended 31 December 2007 did any director have any interests in the shares of the Company (2006 nil) or any other company within the Group, except for interests in and options over the shares and interests of the ultimate parent company, Centrica plc

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

Charitable and political donations

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

Directors' 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

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 of the Company 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, 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.

Centrica Onshore Processing UK Limited

Directors' report for the year ended 31 December 2007 (continued)

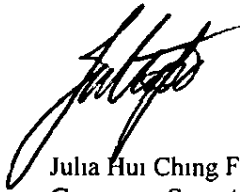
Disclosure of information to auditors

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

The Board approved this report on 18th July 2008



Julia Hui Ching Foo
Company Secretary

Date 18th July 2008

Registered office
Venture House
42-54 London Road
Staines
Middlesex
TW18 4HF

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRICA ONSHORE PROCESSING UK LIMITED

We have audited the Financial Statements of Centrica Onshore Processing UK Limited (the "Company") 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

18 July 2008

Centrica Onshore Processing UK Limited

Profit and Loss Account For the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	1	6,929	7,944
Depreciation	2	(4,151)	(5,377)
Other operating costs	2	(1,875)	(1,982)
Operating profit/(loss)		<u>903</u>	<u>585</u>
Net interest payable and similar charges	5	<u>(193)</u>	<u>(143)</u>
Profit on ordinary activities before taxation		710	442
Taxation on profit on ordinary activities	6	559	754
Profit for the financial year	13	<u>1,269</u>	<u>1,196</u>

All amounts included in the Profit and Loss Account are derived from continuing operations

There are no recognised gains and losses other than those reported in the Profit and Loss Account. Therefore, no separate statement of recognised gains and losses has been prepared.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalent.

The notes on pages 7 to 14 form part of these Financial Statements.

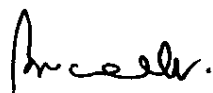
Centrica Onshore Processing UK Limited

Balance Sheet As at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	7	7,639	10,472
Current assets			
Debtors – falling due within one year	8	10,316	8,874
Cash at bank and in hand		1,405	854
Other current assets	11	947	388
		<u>12,668</u>	<u>10,116</u>
Creditors (amounts falling due within one year)	9	<u>(7,302)</u>	<u>(10,363)</u>
Net current assets/(liabilities)		<u>5,366</u>	<u>(247)</u>
Total assets less current liabilities		<u>13,005</u>	<u>10,225</u>
Provisions for liabilities and charges	10	<u>(4,264)</u>	<u>(2,753)</u>
Net assets		<u>8,741</u>	<u>7,472</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and Loss Account	13	8,741	7,472
Shareholder funds	14	<u>8,741</u>	<u>7,472</u>

The notes on pages 7 to 14 form part of these Financial Statements

The Financial Statements on pages 5 to 14 were approved and authorised for issue by the Board of Directors and were signed on its behalf by



Bruce Walker
Director

Date 18th July 2008

Centrica Onshore Processing UK Limited

Notes to the Financial Statements

1 Principal accounting policies

These Financial Statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards

Exemptions

The Company has taken advantage of the exemption available under Financial Reporting Standard No 1 (Revised 1996) "Cashflow Statements", and accordingly has not prepared a cashflow statement, and within Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other group companies, as its ultimate parent company prepares Financial Statements which are publicly available (see note 17) and which include the results of the Company

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment

The method of calculating depreciation is based on the Unit of Production basis after adjusting for the estimated residual value of the assets. Under the Unit of Production method the depreciation charge is matched more closely to the production of the remaining gas reserves

Impairment losses or impairment write-backs of fixed assets are calculated as the difference between the carrying values of income generating units and the estimated value in use at the date the impairment or write back is recognised. Value in use represents the net present value of expected future cashflows discounted on a pre-tax basis. Impairment losses and the write back of fixed assets are recognised in the Profit and Loss Account in the year in which they occur

Decommissioning costs

Operators of oil and gas fields on the United Kingdom Continental Shelf are required to remove installations, including related onshore facilities, to the extent considered acceptable to the Department of Trade and Industry

Provision is made for the net present value of the estimated cost of decommissioning at the end of the life of the plant. When this provision gives access to future economic benefits an asset is recognised, otherwise the provision is charged to the Profit and Loss Account. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within property, plant and equipment. The unwinding of the discount on the provision is reported in the Profit and Loss Account as a financial item and is included in the net interest charge. This practice is consistent with the Statement of Recommended Practice ('SORP') for Oil and Gas accounting

Centrica Onshore Processing UK Limited

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

Financial Instruments: Disclosure and Presentation

All financial assets and liabilities are presented gross on the face of the Balance Sheet unless the Company has a legally enforceable right to net off the recognised amounts and it intends to settle on a net basis

The Company is exempted by FRS 29 from providing detailed disclosures in respect of its financial instruments because the Company is included within the Group's consolidated accounts and its financial instruments are incorporated into disclosures in note 4 (page 69) of the Centrica plc Annual Report and Accounts 2007

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 substantively 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 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 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 re-valued unless by the balance sheet date there is a binding agreement to sell the re-valued 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

Turnover recognition

Turnover, which excludes value added tax, is stated as amounts invoiced to customers. Turnover relates to UK operations only. Turnover is earned on processing third party gas flowing through the Easington terminal

Centrica Onshore Processing UK Limited

Notes to the Financial Statements (continued)

2 Profit on ordinary activities before taxation

(i) Profit on ordinary activities before taxation is stated after charging

	2007 £000	2006 £000
Tangible fixed assets – depreciation charge for the year	4,151	5,377
Auditor's remuneration for - statutory audit services	<u>5</u>	<u>7</u>

(ii) Other operating costs include direct costs and allocations of costs from fellow subsidiary undertakings in relation to the processing of gas at the Easington terminal

3 Staff costs

The Company has no employees (2006 nil) and no staff costs (2006 nil) All costs relating to employees are borne by another group company

4 Directors' emoluments

None of the directors received nor were due remuneration during the year (year ended 31 December 2006 £nil)

The emoluments of two directors who served in the year are paid by the Company's immediate parent undertaking, Centrica Storage Limited An associated undertaking paid one other director No re-charges are made to the Company It is not possible to make an accurate apportionment of the emoluments and accordingly no amounts are included in these Financial Statements for these individuals

2 directors exercised share options in shares of the ultimate parent company Centrica plc in 2007 (2006 3)

5 Net interest payable and similar charges

	2007 £000	2006 £000
Unwinding of discount on decommissioning provision (note 10)	193	143
	<u>193</u>	<u>143</u>

Centrica Onshore Processing UK Limited

Notes to the Financial Statements (continued)

6 Taxation on profit on ordinary activities

	2007 £000	2006 £000
(a) Analysis of tax charge in the period		
The tax (credit)/charge comprises of		
Current tax		
UK corporation tax on profit for the year	-	-
Deferred tax		
Effect of change to deferred tax rate (note 11)	68	-
Origination and reversal of timing differences	(627)	(754)
Tax on profit on ordinary activities	(559)	(754)

(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 is as follows

	2007 £000	2006 £000
Profit on ordinary activities before tax	710	442
Profit on ordinary activities multiplied by the standard rate of tax of 30% (2006 30%)	213	133
Effects of		
Depreciation in excess of Capital allowances	507	619
Group relief for nil consideration	(863)	(887)
UK UK transfer price adjustment	23	-
Other timing differences	120	135
Current taxation charge for the year	-	-

Centrica Onshore Processing UK Limited

Notes to the Financial Statements (continued)

7 Tangible fixed assets

	Decommissioning Asset £000	Plant and Machinery £000	Total £000
Cost			
At 1 January 2007	1,584	37,803	39,387
Additions	1,318	-	1,318
Cost at 31 December 2007	<u>2,902</u>	<u>37,803</u>	<u>40,705</u>
Accumulated Depreciation			
At 1 January 2007	(1,014)	(27,901)	(28,915)
Depreciation charge for the year	<u>(208)</u>	<u>(3,943)</u>	<u>(4,151)</u>
At 31 December 2007	<u>(1,222)</u>	<u>(31,844)</u>	<u>(33,066)</u>
Net book value at 31 December 2007	<u>1,680</u>	<u>5,959</u>	<u>7,639</u>
Net book value at 31 December 2006	<u>570</u>	<u>9,902</u>	<u>10,472</u>

The decommissioning asset was increased by £1.3m following a review of the estimated cost of decommissioning by an independent expert (see note 10)

8 Debtors (falling due within one year)

	2007 £000	2006 £000
Accrued income	500	1,501
Amounts due from group undertakings	9,816	7,373
	<u>10,316</u>	<u>8,874</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand

Centrica Onshore Processing UK Limited

Notes to the Financial Statements (continued)

9 Creditors (amounts falling due within one year)

	2007 £000	2006 £000
Amounts owed to group undertakings	7,215	10,264
VAT	87	99
	<u>7,302</u>	<u>10,363</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

10 Provisions for liabilities and charges

	Decommissioning Costs £000
As at 1 January 2007	2,753
Revision of estimate	1,318
Unwinding of discount	193
As at 31 December 2007	<u>4,264</u>

Decommissioning

The decommissioning provision was increased by £1.3m following a review of the estimated cost of decommissioning by an independent expert. The payment date for total expected decommissioning is uncertain but currently anticipated to be 2029.

Centrica Onshore Processing UK Limited

Notes to the Financial Statements (continued)

11 Deferred tax asset

Deferred taxation

	£000
Deferred tax asset at 1 January 2007	388
Profit and loss credit	559
Deferred tax asset at 31 December 2007	<u>947</u>

There are no unprovided amounts in 2007 and 2006

The deferred taxation asset comprises

Deferred corporation tax asset at 28% (31 December 2006 30%) is analysed as follows

	2007 £000	2006 £000
Accelerated capital allowances	224	(267)
Other timing differences	<u>723</u>	<u>655</u>
	<u>947</u>	<u>388</u>

The proposed reduction in the rate of UK corporation tax from 30% to 28% as per the 2007 budget was substantively enacted on 26 June 2007. As a result deferred tax reversing after 1 April 2008 is calculated at the rate of 28%.

12 Called up share capital

	2007 £	2006 £
Authorised 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 1 Ordinary share of £1	<u>1</u>	<u>1</u>

13 Reserves

	Profit & Loss Account £000
Balance at 1 January 2007	7,472
Profit for the year	1,269
Balance at 31 December 2007	<u>8,741</u>

Centrica Onshore Processing UK Limited

Notes to the Financial Statements (continued)

14 Reconciliation of movements in shareholders funds

	2007	2006
	£000	£000
Profit for the financial year	<u>1,269</u>	<u>1,196</u>
Shareholder's funds as at 1 January	7,472	6,276
Shareholder's funds as at 31 December	<u>8,741</u>	<u>7,472</u>

15 Capital and other commitments

The Company had no capital commitments at 31 December 2007 (2006 nil)

16 Events after the balance sheet date

There are no post balance sheet events that require disclosure

17 Ultimate parent company

Centrica plc, a company registered in England and Wales, is the ultimate parent company and ultimate controlling party. Centrica plc has 100% interest in the equity share capital of GB Gas Holdings Limited, which in turn owns 100% of Centrica Storage Holdings Limited. Centrica Storage Holdings Limited has a 100% interest in the equity share capital of Centrica Onshore Processing UK Limited and is the Company's immediate parent undertaking.

Centrica plc is the parent company of the largest and smallest group for which consolidated Financial Statements are drawn up. Copies of the ultimate parent company's consolidated Financial Statements can be obtained from Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD or www.centrica.com