

Regional Power Generators Limited
Annual report
for the year ended 31 December 2002

Registered Number: 2352390



Regional Power Generators Limited

Annual report for the year ended 31 December 2002

	Pages
Directors' report	1
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account for the year ended 31 December 2002	7
Balance sheet as at 31 December 2002	8
Notes to the financial statements for the year ended 31 December 2002	9-16

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of Regional Power Generators Limited ("the Company") for the year ended 31 December 2002.

Principal activities

The principal activity of the Company is the operation of a combined cycle gas turbine power station at Brigg, North Lincolnshire ("the Station").

Review of business and future developments

On 28 June 2002 the Company was sold by Fortum to GB Gas Holdings Limited (a Centrica plc subsidiary). As a result of this change in ownership the Company now operates under a capacity tolling arrangement with British Gas Trading Limited, who are responsible for energy procurement for the Centrica Group. Since this change in ownership the Company has been profitable. Previously the Company was involved in energy sales and purchases in its own name. The operation and maintenance of the Company under Fortum ownership was subcontracted to Fortum O&M (UK) Limited.

The Station has been modified to operate in a fully flexible mode, which is desirable under the NETA arrangements.

There are no plans to change the nature of activities in the foreseeable future.

Results and dividends

The loss on ordinary activities after taxation for the year ended 31 December 2002 is £5,753,000 (2001: £19,102,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2002 (2001: £nil).

Directors

The following served as directors during the year:

David Clarke	(appointed 27 June 2002, resigned 18 August 2003)
Michael Garstang	(appointed 27 June 2002)
Stephen Mancey	(appointed 27 June 2002, resigned 6 November 2002)
Jacob Ulrich	(appointed 27 June 2002) (Chairman)
Alan Bennett	(appointed 6 November 2002)
P. Osterlund	(resigned 27 June 2002)
Dr V. Kohler	(resigned 27 June 2002)
A. Aldridge	(resigned 27 June 2002)
T. Tuomela	(resigned 27 June 2002)

On 6th March 2003, Jacob Ulrich resigned as Director and Chairman and Ian Wood was appointed an additional director. Stephen Mancey and Simon Goodwin were appointed alternate directors on the same date.

On 18 August 2003 Amanda King was appointed as Director.

Directors' interests

At no time did any Director holding office at 31 December 2002, have any interest in the shares of the Company (2001: Nil) or any other company within the Centrica Group except for the interests in, and options over, the shares of the ultimate parent company, Centrica plc, as set out below.

Directors' report for the year ended 31 December 2002 (continued)**Beneficial interests in ordinary shares (i)**

	As at 31 December 2002	As at date of appointment
David Clarke	40,891	1,602
Michael Garstang	246	246
Alan Bennett	28,478	28,394
Jacob Ulrich	491,495	69,036

- (i) The figures above include shares appropriated under the terms of the Centrica profit sharing scheme, and shares held under the Centrica share incentive plan (SIP). **

Sharesave scheme (i)

	As at 31 December 2002	Exercised during the year	Granted during The year	As at date of appointment
David Clarke	10,799	-	-	10,799
Michael Garstang	-	-	-	-
Alan Bennett	5,462	-	-	5,462
Jacob Ulrich	-	(37,176)	-	37,176

- (i) Options over shares in Centrica plc were granted in June 1998, June 2000, April 2001 and April 2002 at an option price of 92.2, 202.6, 191 and 177.6 pence per share respectively under an all-employee savings-related share option scheme, the Sharesave scheme. **

Executive Share Option Scheme (i)

	As at 31 December 2002	Exercised during the year	Granted during the year	As at date of appointment
David Clarke	102,176	-	-	102,176
Michael Garstang	-	-	-	-
Alan Bennett	-	-	-	-
Jacob Ulrich	724,439	-	-	724,439

- (i) Options were granted on 2 April 2002 at an option price of 224.8 pence under the terms of the Executive share option scheme. **

Directors' report for the year ended 31 December 2002 (continued)**Long term incentive scheme (i) (ii)**

	As at 31 December 2002	Exercised during the year	Granted during the year	As at date of appointment
David Clarke	184,417	(38,067)	-	222,484
Michael Garstang	68,851	-	-	68,851
Alan Bennett	137,276	-	-	137,276
Jacob Ulrich	1,003,903	(269,978)	-	1,273,881

(i) Total allocations as at 31 December 2002 shown above include both notional allocations of shares that are subject to performance conditions and awards of shares that have reached the conclusion of the performance period but are subject to a 2 year retention period.

(ii) Notional allocations of shares made on 2 April 2002 under this scheme are at market price allocation of 227.00 pence.

* or at date of appointment.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2002 (31 December) was 171 pence. The range during the year was 239 pence (high) and 150 pence (low).

** For details of the above listed schemes please refer to the 2002 Annual Report for Centrica plc, copies of which can be obtained from the Company Secretary of Centrica plc.

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

Directors' and Officers' liability insurance

The ultimate parent company has maintained insurance cover for all directors and other officers against liabilities in relation to the Company.

Policy on the payment of creditors

The Company aims to pay all of its creditors promptly. All creditors are paid in accordance with contractual and legal obligations.

Employment policies

The Company is committed to pursuing an Equal Opportunities policy covering recruitment and selection, training, 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.

Directors' report for the year ended 31 December 2002 (continued)

Employee communications

The Company is committed to effective communications, which it maintains through briefing sessions and Centrica company magazines. The Company also actively seeks employee involvement through regular employee surveys and action planning forums. The Company has procedures for the timely and accurate communication of financial results and other significant business issues to its employees.

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the Board

A handwritten signature in black ink, appearing to read 'Ian Ritchie', written over a horizontal line.

Ian Ritchie
For and on behalf of
Centrica Secretaries Limited
Secretary
28 October 2003

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 of the Company for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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.

Independent Auditors' report to the Shareholder of Regional Power Generators Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of opinion

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the Company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hull

29 30 October 2003

Profit and loss account for the year ended 31 December 2002

	Notes	2002 £'000	2001 (as restated) '000
Turnover	1	18,643	26,194
Cost of sales		(12,779)	(21,958)
Gross Profit		5,864	4,236
Distribution costs		(1,372)	(1,361)
Administration expenses		(9,277)	(19,668)
Operating loss	5	(4,785)	(16,793)
Interest receivable and similar income	8	3	221
Interest payable and similar charges	9	(1,343)	(7,410)
Loss on ordinary activities before taxation		(6,125)	(23,982)
Tax on loss on ordinary activities	10	372	4,880
Loss for the year		(5,753)	(19,102)
Dividends		-	-
Retained loss for the year	18	(5,753)	(19,102)

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

All activities relate to continuing operations.

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

Balance sheet as at 31 December 2002

	Notes	2002 £'000	2001 £'000
Fixed Assets			
Tangible assets	11	75,317	78,582
Current assets			
Stock	12	4,013	2,169
Debtors	13	2,170	3,366
Cash at bank and in hand		-	1,054
		6,183	6,589
Creditors – amounts falling due within one year	14	(2,031)	(57,456)
Net current assets/ (liabilities)		4,152	(50,867)
Total assets less current liabilities		79,469	27,715
Creditors – amounts falling due after more than one year	15	(35,579)	(13,000)
Provisions for liabilities and charges	16	(18,242)	(18,614)
Net assets/(liabilities)		25,648	(3,899)
Capital and reserves			
Called-up share capital	17	35,310	10
Profit and loss account	18	(9,662)	(3,909)
Equity shareholder funds	19	25,648	(3,899)

The financial statements on pages 7 to 16 were approved by the Board of Directors on 28 October 2003 and were signed on its behalf by:



Alan Bennett
Director

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

Notes to the financial statements for the year ended 31 December 2002**1 Principal accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards and the Companies Act 1985.

Turnover

During the year turnover arose from the sale of power generation capacity and bilateral contracts. A tolling agreement for capacity was made following the acquisition of the Company by GB Gas Holdings Limited on 28 June 2002. Previously turnover was derived from sales of electricity through bilateral contracts.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on all fixed assets from the date of acquisition of the assets and is provided at rates calculated to write-off the cost of each asset on a straight line basis over its expected useful life as follows:

- Power Station assets (consisting of freehold land, buildings and the generating plant included in plant and equipment) : 25 years
- Gas turbine components (included in plant and equipment and outage costs) : over the average expected life of individual components (generally 3-6 years)
- Other plant and machinery : 3-6 years

Overhaul Costs

Contract work involved in replacing gas turbine components are capitalised and depreciated over their expected economic life, typically to the period of the next overhaul. These components are held within stock until they are brought into use. Repairs and other costs that are not of a capital nature are charged directly to the profit and loss account as incurred.

Stocks

Stocks are stated at the lower of cost incurred in bringing each item to its present location and condition and net realisable value. Stocks are principally made up of strategic spares which are used in the event of a breakdown or overhaul, and which are then capitalised and depreciated over their useful economic life.

Pensions

A defined contribution pension scheme is operated for the employees whose costs are recharged to the Company. The amount charged to the profit and loss account in respect of pension cost is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Deferred taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results 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.

Notes to the financial statements for the year ended 31 December 2002 (continued)**1 Principal accounting policies (continued)****Deferred taxation (continued)**

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 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.

2 Cash flow statements and related party disclosures

The Company is a wholly-owned subsidiary of GB Gas Holdings Limited and is included in the consolidated financial statements of Centrica plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No. 1 "Cash Flow Statements". The Company is also exempt under the terms Financial Reporting Standard No. 8 "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

3 Change in comparatives

The 2001 profit and loss account comparatives have been restated as a result of a change in accounting treatment of systems charges (TNUOS). Consistent with other group companies, systems charges are included within distribution costs. Previously these were treated as cost of sales. This change in disclosure has no impact on operating profit or reserves.

4 Segmental reporting

All turnover relates to the principal activity of the business and occurs wholly in the United Kingdom.

5 Operating loss

	2002 £'000	2001 £'000
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	5,323	5,009
Auditors fees	15	10

Notes to the financial statements for the year ended 31 December 2002 (continued)**6 Directors' emoluments**

The directors appointed during the year following the acquisition of the Company by GB Gas Holdings Limited received no emoluments as they are employed by other Centrica group companies. All other directors also received no emoluments (2001: £nil).

All of the Directors who were appointed during the year following the acquisition of the Company by GB Gas Holdings Limited are members of the ultimate parent company's defined benefit pension scheme.

7 Employee information

Under Fortum ownership, which ran to 28 June 2002, the employees' contracts of service were with the parent company and their remuneration was included in the parent company's financial statements. The management charge levied by the parent company in respect of services provided by these employees amounted to £227,000 (2001: £249,000).

For the period that the Company was under Centrica ownership payments amounting to £741,000 were made in respect of an average of 34 staff providing services to the Company under an employee services agreement with a Centrica Group Company.

8 Interest receivable and similar income

	2002 £'000	2001 £'000
Interest receivable on bank deposits	3	115
Interest receivable on group loans	-	106
	3	221

9 Interest payable and similar charges

	2002 £'000	2001 £'000
Interest payable on bank loans	21	7,259
Interest payable on group loans	1,310	151
Other interest payable	12	-
	1,343	7,410

Notes to the financial statements for the year ended 31 December 2002 (continued)

10 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
The tax charge comprises :		
Current year corporation tax at 30%		
Current	-	-
Deferred	(372)	(2,027)
(Over) provision in respect of prior years		
Current	-	(2,800)
Deferred	-	(53)
Total tax credit on loss on ordinary activities	(372)	(4,880)

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows :

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(6,125)	(23,982)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	(1,838)	(7,195)
Effects of :		
Expenses not deductible for tax purposes	3	3
Utilisation of timing differences	372	2,027
Group relief not paid for	1,463	2,798
Adjustments to tax charge in respect of previous periods	-	2,367
Current tax charge for the year	-	-

Notes to the financial statements for the year ended 31 December 2002 (continued)

11 Tangible assets

	Freehold Land £'000	Building £'000	Computer Equipment £'000	Plant and Equipment £'000	Outage Costs £'000	Total £'000
Cost or valuation						
At 31 December 2001	364	4,345	3,820	118,148	3,429	130,106
Additions	-	-	764	755	593	2,114
Disposals	-	-	-	(54)	-	(54)
As at 31 December 2002	364	4,345	4,584	118,849	4,022	132,166
Accumulated depreciation						
At 31 December 2001	-	1,465	950	47,118	1,991	51,524
Charge for the year	-	158	384	4,159	622	5,323
At 31 December 2002	-	1,623	1,334	51,277	2,613	56,847
Net book amount						
At 31 December 2002	364	2,722	3,250	67,572	1,409	75,317
At 31 December 2001	364	2,880	2,870	71,030	1,438	78,582

Plant and equipment cost includes capitalised interest of £10,921,000 (2001: £10,921,000) relating to direct financing costs associated with the construction of the power station.

12 Stocks

	2002 £'000	2001 £'000
Strategic spares	2,546	-
Consumables	1,467	2,169
	4,013	2,169

Notes to the financial statements for the year ended 31 December 2002 (continued)

13 Debtors

	2002 £'000	2001 £'000
Trade debtors	10	41
Amounts owed by group undertakings	1,065	145
Other debtors	119	210
Prepayments and accrued income	976	2,970
	2,170	3,366

14 Creditors - amounts falling due within one year

	2002 £'000	2001 £'000
Bank loans and overdrafts	36	41,141
Trade creditors	94	22
Amounts owed to group undertakings	1,114	7,048
Other creditors	1	-
Accruals and deferred income	786	9,245
	2,031	57,456

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

15 Creditors - amounts falling due after more than one year

	2002 £'000	2001 £'000
Subordinated loan stock	-	13,000
Amounts owed to group undertakings	35,579	-
	35,579	13,000

The subordinated loan stock was non-interest bearing and was repayable on 31 December 2024. The loan stock was repaid in full on 27 June 2002.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The group undertaking concerned has indicated that it would not seek repayment within 12 months of the balance sheet date.

Notes to the financial statements for the year ended 31 December 2002 (continued)

16 Provisions for liabilities and charges

Full provision has been made for deferred taxation arising from accelerated capital allowances as follows:

	2002 £'000
As at 1 January	18,614
Profit and loss credit (see note 10)	(372)
As at 31 December	18,242

17 Called-up share capital

	2002 £'000	2001 £'000
Authorised		
37,300,000 ordinary shares of £1 each (2001: 15,000,000 ordinary shares of £1 each)	37,300	15,000
Allotted and fully paid		
35,310,000 ordinary shares of £1 each (2001: 10,000 ordinary shares of £1 each)	35,310	10

On 22 February 2002 13,000,000 ordinary shares were issued for cash. The consideration received was £13,000,000.

On 27 June 2002 22,300,000 ordinary shares were issued for cash. The consideration received was £22,300,000.

18 Reserves

	2002 £'000
Profit and loss account	
As at 1 January	(3,909)
Retained loss for the year	(5,753)
As at 31 December	(9,662)

Notes to the financial statements for the year ended 31 December 2002 (continued)**19 Reconciliation of movements in shareholder funds**

	2002 £'000	2001 £'000
Loss for the year	(5,753)	(19,102)
Increase in ordinary share capital	35,300	-
Opening shareholder funds	(3,899)	15,203
Closing shareholder funds	25,648	(3,899)

20 Pension commitments

The charge to the profit and loss account represents the amount of contributions payable to defined contribution pension schemes in respect of the accounting period for the employees that are recharged to the Company. Differences between contributions payable and contributions actually paid in the period are shown as either accruals or prepayments in the balance sheet.

21 Ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited.

The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales. Copies of the Centrica plc consolidated financial statements can be obtained from the Company Secretary at Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.