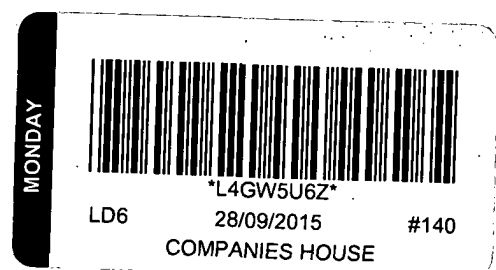


Registered Number: 02571241

Centrica SHB Limited

**Annual Report and Financial Statements
For the year ended 31 December 2014**



Centrica SHB Limited

Annual Report and Financial Statements for the year ended 31 December 2014

Contents

	Page
Strategic Report for the year ended 31 December 2014	1
Directors' Report for the year ended 31 December 2014	3
Independent Auditors' Report to the members of Centrica SHB Limited	5
Profit and Loss Account for the year ended 31 December 2014	7
Balance Sheet as at 31 December 2014	8
Notes to the Financial Statements for the year ended 31 December 2014	9

Centrica SHB Limited

Strategic Report for the year ended 31 December 2014

The Directors present the Strategic Report of Centrica SHB Limited for the year ended 31 December 2014.

Principal activities

The Company's principal activity during the year was the operation of a 1285 MW combined cycle gas turbine power station at Stallingborough, North Lincolnshire ("South Humber Bank Power Station").

Business review

During the year the Company continued the operation of South Humber Bank Power Station. The Company operates under a capacity tolling agreement with British Gas Trading Limited who are responsible for energy procurement for the Centrica plc group ("the Group").

Underlying trading for the year was behind plan driven by low spark spreads. The plant has been operating in a two shifting regime driven by low clean spark spreads. There are no plans to change the nature of activities in the future.

In May 2014 Centrica announced the intention to sell South Humber Bank Power Station. However, the low capacity auction price resulted in an expected consequential decline in bidder confidence, and it was decided that the sale was no longer highly probable. A decision was made to retain the asset.

Market conditions continued to be challenging for gas-fired power stations with a decline in UK Clean Spark Spreads during 2014. Baseload power generation has predominantly been provided by coal while installed capacity from renewable sources has also increased, leaving gas to operate in peak periods of demand only. As a result of this, generation has been lower than previous years and this coupled with the low clean spark spreads has provided a difficult environment for trading.

The future market for gas fired power generation is expected to improve with the forecast closure of a number of stations and the requirement for back-up plants to support intermittent renewable generation. These changes mean that there are risks to the future security of electricity supplies. In December 2014 the Government conducted the first Capacity Market Auction to address these concerns. The Capacity Market is designed provide a market framework to encourage participants to invest in generating facilities to ensure we have enough reliable electricity capacity to meet demand. Despite clearing prices being much lower than anticipated, South Humber Bank Power Station was successful in obtaining a capacity market agreement for 2018.

Following a review of the value in use of the power station asset, an impairment of £214,429,000 was made in the year (2013: £nil).

On 31 December 2014, as part of an internal reorganisation by the ultimate parent company, the trade and assets of Humberland Limited were transferred to the Company. The transfers took place in exchange for consideration of £350,185,900 and resulted in a profit in the profit and loss account of £426,000. Following the transfer, on 31 December 2014 Humberland Limited declared and paid an interim dividend of £350,186,000 to the Company. The trade of Humberland Limited will be taken on by the Company from this date. Humberland Limited's principal activity was the leasing of a 1,285 MW gas-fired power station at Stallingborough, North East Lincolnshire, known as the South Humber Bank Power Station, to the Company.

In light of changed circumstances the Group launched a fundamental strategic review in February, focused on: i) outlook and sources of growth; ii) portfolio mix and capital intensity; iii) operating capability and efficiency; and iv) Group financial framework. The conclusions of the strategic review were announced on 30 July 2015 as part of the Centrica plc interim results. The impact of this strategic review on the Company is yet to be fully determined but it will be the focus of the Directors during the remainder of 2015.

Centrica SHB Limited

Strategic Report for the year ended 31 December 2014 (continued)

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 and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company are discussed on pages 40-45 of the 2014 Annual report and Accounts of the Group which does not form part of this report.

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 of the Group, which includes the Company, are discussed on pages 18-19 of the 2014 Annual Report and Accounts of the Group which does not form part of this report.

This Strategic Report was approved by the Board on 25 September 2015.



J. Elliot

By order of the board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 02571241

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica SHB Limited

Directors' Report for the year ended 31 December 2014

The Directors present their report and the audited financial statements of Centrica SHB Limited for the year ended 31 December 2014.

Future developments

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

Financial risk management

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 counterparty credit risk and liquidity risk arose in the normal course of the Company's business:

- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Credit risk is predominantly limited to exposures with other Centrica plc group undertakings.
- Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly.
- Liquidity risk is managed through funding arrangements with Centrica plc group undertakings.
- Foreign currency exposure is monitored by currency and duration and managed through hedging activities.

The Company did not take part in any hedging activity other than hedging with respect to foreign currency risk (2013: £nil).

Results and dividends

The results of the Company are set out on page 7.

The Company made a profit for the financial year of £96,485,000, which includes an impairment charge of £214,429,000 and a dividend of £350,186,000 from Humberland Limited (2013: loss of £53,470,000).

No dividends were paid or declared on the ordinary shares for the year ended 31 December 2014 (2013: £nil).

The Directors do not recommend the payment of a final dividend (2013: £nil).

Financial position

The financial position of the Company is presented in the Balance Sheet on page 8. The shareholders' funds at 31 December 2014 were £245,580,000 (2013: £149,095,000).

Going concern

The Directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the ultimate parent company Centrica plc. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after these financial statements have been signed.

Directors

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

Richard McCord

Mark Futyan

John Knight

Graeme Collinson

John Watts

Peter Koch De Gooreynd

(Appointed 22 April 2014)

(Appointed 1 January 2014, Resigned 24 October 2014)

(Resigned 1 January 2014)

(Resigned 22 April 2014)

(Appointed 2 February 2015)

Centrica SHB Limited

Directors' Report for the year ended 31 December 2014 (continued)

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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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.

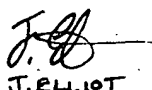
Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this 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 the 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.

Independent 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 Directors' report was approved by the Board on 25 September 2015.



J. ELLIOT
By order of the board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 02571241

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica SHB Limited

Independent Auditors' Report to the members of Centrica SHB Limited

Report on the financial statements

Our opinion

In our opinion, Centrica SHB Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Centrica SHB Limited's financial statements comprise:

- Balance Sheet as at 31 December 2014
- Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Centrica SHB Limited

Independent Auditors' Report to the members of Centrica SHB Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark King (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 September 2015

Centrica SHB Limited

Profit and loss account for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	3	32,619	34,226
Cost of sales		(61,600)	(61,662)
Gross loss		(28,981)	(27,436)
Administrative expenses - including exceptional items		(227,596)	(10,554)
Other operating income		-	13
Operating loss before exceptional items		(42,148)	(37,977)
Exceptional item - impairment of assets	4	(214,429)	-
Operating loss	4	(256,577)	(37,977)
Profit on transfer of assets from subsidiary undertaking	5	426	-
Income from shares in subsidiary undertaking		350,186	-
Interest receivable and similar income	8	10,869	16,775
Interest payable and similar charges	9	(46,348)	(48,143)
Profit / (loss) on ordinary activities before taxation		58,556	(69,345)
Tax on profit / (loss) on ordinary activities	10	37,929	15,875
Profit / (loss) for the financial year	11	96,485	(53,470)

The Company has no recognised gains or losses other than the profit/(loss) above and therefore no separate Statement of Total Recognised Gains and Losses has been presented.

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial years stated above and their historical cost equivalents.

All results relate to continuing operations.

The notes on pages 9 to 20 form part of these financial statements.

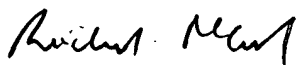
Centrica SHB Limited

Balance Sheet as at 31 December 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	11	133,434	331,916
Investments	12	-	-
		<u>133,434</u>	<u>331,916</u>
Current assets			
Stocks	13	7,530	7,659
Debtors	14	622,622	660,336
		<u>630,152</u>	<u>667,995</u>
Creditors - amounts falling due within one year	15	(514,495)	(391,574)
Net current assets		<u>115,657</u>	<u>276,421</u>
Total assets less current liabilities		249,091	608,337
Creditors - amounts falling due after more than one year	16	-	(453,884)
Provisions for liabilities	17	(3,511)	(5,358)
Net assets		<u><u>245,580</u></u>	<u><u>149,095</u></u>
Capital and reserves			
Called up share capital	19	20,000	20,000
Share premium account	20	8,436	8,436
Profit and loss account	20	217,144	120,659
Total shareholders' funds	21	<u><u>245,580</u></u>	<u><u>149,095</u></u>

The notes on pages 9 to 20 form part of these financial statements.

The financial statements on pages 7 to 20 were approved and authorised for issue by the Board of Directors on 25 September 2015 and were signed on its behalf by:



Richard McCord
Director
Registered Number: 02571241

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014

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 2006 and the applicable United Kingdom accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The Directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the ultimate parent company Centrica plc. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after these financial statements have been signed.

Turnover

Turnover is recognised on an accruals basis and principally relates to the sale of power generation capacity to a fellow Group undertaking during the year in accordance with the capacity tolling arrangement.

Tangible assets

Tangible assets are stated at historic cost less accumulated depreciation and impairments. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged on all fixed assets, other than freehold land and gas turbine components in the course of a major overhaul and assets in the course of construction. Depreciation is provided at rates calculated to write off the cost of each asset to its residual value on a straight-line basis over its expected useful life as follows for these asset classes:

- Power station assets: 30 years
- Turbine components, other plant and machinery: 3-6 years

For gas turbine components depreciation is provided to write off the cost of the assets over their operating lives on an equivalent operating hours basis.

Overhaul costs

Contract work involved in replacing gas turbine components is capitalised and depreciated over their expected economic life, typically over the period to the next overhaul. 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. Provision is made where necessary for obsolete, slow-moving and defective stocks. Cost is determined on an average cost basis.

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

1. Principal accounting policies (continued)

Finance leases

Assets held under finance lease arrangements have been capitalised and are included in fixed assets at their fair value at the inception of the lease. The obligations relating to finance leases, net of finance charges in respect of future years, are included as appropriate under creditors due within or after more than one year. The interest element of the lease rental is allocated to accounting years during the lease on an accruals basis. The interest charge is based on the outstanding finance lease creditor. As described in note 5, the finance lease was terminated at 31 December 2014 following the transfer of the trade and assets of Humberland Limited to the Company.

Taxation

Current tax, being 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 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 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Decommissioning provision

Provision is made for the net present value of the estimated cost of decommissioning the power station at the end of its useful life, based on price levels and technology at the balance sheet date.

Changes in these estimates and changes to the discount rates are dealt with prospectively. When an increase in the provision gives access to future economic benefits, a decommissioning asset is recognised and amortised on a straight-line basis over the useful life of the facility; otherwise the increase is recognised directly in the profit and loss account. When a reduction in the estimated provision is required, the amount of the related asset is reduced to the extent of the asset's carrying amount. Any excess is recognised immediately in the profit and loss account. The unwinding of the discount on the provision is included in the profit and loss account within interest expense.

Financial instruments

The Company has entered into forward contracts to economically hedge its foreign exchange exposure on milestone payments made to foreign suppliers. The derivatives' fair value are not recognised in the Financial Statements but are disclosed in note 18.

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

1. Principal accounting policies (continued)

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Recoverable amount is the higher of net realisable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where provision has been made for a diminution in value, but the factors that gave rise to it no longer apply to any extent, then the provision will be written back in accordance with FRS11.

EU Emissions Trading Scheme

Where granted EU ETS emissions allowances have been received in a period they are initially recognised at nominal value (nil value). A liability is recognised when the level of emissions exceeds the level of allowances granted. As part of the tolling arrangement, the tollee must provide the Company with sufficient EU ETS emissions allowances to meet any shortfall on the settlement date. The liability is measured at the cost of EU ETS emissions allowances purchased by the tollee, 'up to the level of purchased EU ETS emissions allowances physically held, and then at the market price of EU ETS emissions allowances ruling at the balance sheet date. A matching receivable from the tollee is recognised at the same time.

Foreign currencies

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

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 1 (revised 1996) "Cash Flow Statements". The Company is also exempt under the terms of financial reporting standard 8 "Related Party Disclosures" from disclosure of transactions with other wholly-owned companies that are part of the Group.

3. Turnover

All turnover relates to the principal activity of the business and occurs wholly in the United Kingdom. During the year the rentals receivable under operating leases were £30,562,000 (2013: £31,167,000).

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

4. Operating loss

	2014 £000	2013 £000
Operating loss is stated after charging / (crediting):		
Depreciation of owned tangible fixed assets (note 11)	16,565	17,090
Depreciation of leased tangible fixed assets (note 11)	15,880	15,880
Other operating income	-	(13)
Exceptional item - impairment of tangible assets (i)	214,429	-
Loss on disposal of fixed assets	-	3
Operating lease charges - plant and machinery	-	124
Statutory audit (ii)	12	8

(i) Following a review of the recoverable amount of the power station asset, an impairment of £214,429,000 was made at 31 December 2014 (2013: £nil). This impairment arises because of a lower view of capacity market rates and clean spark spreads.

(ii) Auditors' remuneration totalling £12,000 (2013: £8,000) relates to fees for the audit of the UK GAAP statutory financial statements of Centrica SHB Limited. Auditors' remuneration totalling £1,000 (2013: £nil) relates to non-audit work in respect of the Company.

5. Profit on transfer of assets from subsidiary undertaking

On 31 December 2014, as part of an internal reorganisation by the ultimate parent company, the trade and assets of Humberland Limited were transferred to the Company. The transfers took place in exchange for consideration of £350,185,900 and resulted in a profit in the profit and loss account of £426,000. Following the transfer, on 31 December 2014 Humberland Limited declared and paid an interim dividend of £350,186,000 to the Company. The trade of Humberland Limited will be taken on by the Company from this date.

6. Directors' emoluments

The aggregate emoluments paid to directors in respect of their qualifying services were £63,748 (2013: £105,886) and the aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services were £6,416 (2013: £13,347).

There were 3 directors (2013: 4) to whom retirement benefits are accruing under a defined benefit pension scheme and there were 2 directors (2013: 1) to whom retirement benefits are accruing under money purchase pension schemes. 3 directors (2013: 4) received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme and 3 directors (2013: 2) exercised share options relating to the ultimate parent company. Some of these costs were borne by other Group companies.

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

7. Employee information

The Company has no direct employees (2013: nil). However, payroll costs amounting to £3,496,000 (2013: £4,353,000) were incurred through a recharge during the year in respect of an average of 60 (2013: 63) staff providing services to Centrica SHB Limited under an employee services agreement with a Group company. Also under this agreement additional pension costs of £427,000 (2013: £4,111,000) have been incurred from the Group company.

8. Interest receivable and similar income

	2014 £000	2013 £000
Interest receivable from Group undertakings	10,869	16,775
	<u>10,869</u>	<u>16,775</u>

9. Interest payable and similar charges

	2014 £000	2013 £000
Decommissioning provision notional interest	74	124
Interest payable to Group undertakings	46,274	48,019
	<u>46,348</u>	<u>48,143</u>

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

10. Tax on profit/(loss) on ordinary activities

	2014 £000	2013 £000
(a) Analysis of tax charge/(credit) in the year		
The tax charge/(credit) comprises:		
Current tax:		
UK corporation tax at 21.49% (2013: 23.25%)	(21,396)	(18,316)
Adjustment in respect of previous periods	<u>(95)</u>	<u>-</u>
Deferred tax:		
Effect of change to deferred tax rate	1,311	(396)
Origination and reversal of timing differences	(18,875)	253
Adjustments in respect of prior years	<u>1,126</u>	<u>2,584</u>
Tax on (loss) / profit on ordinary activities	<u>(37,929)</u>	<u>(15,875)</u>

(b) Factors affecting the tax charge/(credit) for the year

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/(loss) before tax is as follows:

	2014 £000	2013 £000
Profit/(loss) on ordinary activities before taxation	58,556	(69,345)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 21.49% (2013: 23.25%)	12,585	(16,121)
Effects of:		
Expenses not deductible for tax purposes	33	13
Income not taxable for tax purposes	(1,617)	-
Capital allowances in excess of depreciation	7,750	(342)
Timing differences	16	89
Adjustment to tax charge in respect of previous periods	(95)	-
UK:UK transfer pricing adjustment	-	(1,955)
Dividend from wholly owned subsidiary	(75,266)	-
Impairment of fixed assets	<u>35,103</u>	<u>-</u>
Current tax charge/(credit) for the year	<u>(21,491)</u>	<u>(18,316)</u>

The main rate of corporation tax was reduced from 23% to 21% from 1 April 2014. A further reduction to reduce the rate to 20% from 1 April 2015 was substantively enacted in Finance Act 2013 on 2 July 2013 and have been reflected within these financial statements.

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

11. Tangible assets

	Freehold Land £000	Power station assets £000	Turbine components and other plant and machinery £000	Decommissioning asset £000	Total £000
Cost or valuation					
At 1 January 2014	-	526,583	208,974	2,275	737,832
Additions	2,210	12,403	37,644	699	52,956
Disposals	-	-	(42,491)	-	(42,491)
As at 31 December 2014	2,210	538,986	204,127	2,974	748,297
Accumulated depreciation					
At 1 January 2014	-	290,004	115,659	253	405,916
Charge for the year	-	18,527	13,779	139	32,445
Disposals	-	-	(37,927)	-	(37,927)
Impairment charge	-	209,945	4,484	-	214,429
As at 31 December 2014	-	518,476	95,995	392	614,863
Net book value:					
As at 31 December 2014	2,210	20,510	108,132	2,582	133,434
As at 31 December 2013	-	236,579	93,315	2,022	331,916

Following a review of the recoverable amount of the power station asset, an impairment of £214,429,000 was made at 31 December 2014 (2013: £nil).

This impairment arises predominantly due to declining forecast capacity market auction prices and clean spark spread prices. The recoverable amounts have been determined on a value in use basis, with future cash flows discounted using a pre-tax nominal discount rate of 7.4% (2013: 7.4%).

In 2014 the cost of assets held under finance leases was £581,599,000, with accumulated depreciation of £370,149,000 (2013: £354,309,000). On 31 December 2014, as part of an internal reorganisation by the ultimate parent company, these assets held under finance lease were transferred from Humberland Limited to the Company (note 5).

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

12. Investments

The Company owns 100% of the ordinary issued shares of Humberland Limited, a company registered in England and Wales. The principal activity of Humberland Limited was the development of and investment in the South Humber Bank Power Station which it leased to the Company. On 31 December 2014, as part of an internal reorganisation by the ultimate parent company, the trade and assets of Humberland Limited were transferred to the Company. The transfers took place in exchange for £350,185,900 consideration and resulted in a profit to the profit and loss account of £426,000. Following the transfer, on 31 December 2014 Humberland Limited declared and paid an interim dividend of £350,186,000 to Centrica SHB Limited. The trade of Humberland Limited will be taken on by the Company from this date.

13. Stocks

	2014 £000	2013 £000
Strategic spares and consumables	<u>7,530</u>	<u>7,659</u>

14. Debtors

	2014 £000	2013 £000
Amounts owed by Group undertakings	607,368	653,426
Value Added Tax	505	370
Other debtors	241	700
Deferred tax	13,818	-
Prepayments and accrued income	<u>690</u>	<u>5,840</u>
	<u>622,622</u>	<u>660,336</u>

Included within the amounts owed by Group undertakings is a receivable of £586,334,000 (2013:£650,132,000) consisting of interest bearing and non-interest bearing balances to the same Group undertaking. The interest bearing balance comprises a receivable of £608,544,000 (2013: £576,858,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The non-interest bearing balance comprises a payable of £22,210,000 (2013: receivable of £73,274,000). The quarterly rates ranged between 1.69% and 1.90% per annum during 2014 (2013: 2.34% and 3.19%). The other amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

14. Debtors (continued)

Deferred taxation

	As at 1 January 2014 £000	Profit and loss charge / (credit) £000	As at 31 December 2014 £000
Deferred corporation tax			
- accelerated capital allowances	(2,639)	16,272	13,633
- other timing differences	19	166	185
	(2,620)	16,438	13,818

The deferred corporation tax provision is analysed as follows:

	Provided		Unprovided	
	This year £000	Last year £000	This year £000	Last year £000
Deferred corporation tax				
- accelerated capital allowances	13,633	(2,639)	-	-
- other timing differences	185	19	-	-
- losses	-	-	-	-
	13,818	(2,620)	-	-

15. Creditors – amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	741	615
Bank loans and overdraft	1	9
Amounts owed to Group undertakings	506,285	358,044
EU ETS emissions obligations	5,864	4,406
Accruals and deferred income	1,604	12,778
Obligations under intra-Group finance lease (note 15)	-	15,722
	514,495	391,565

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

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

16. Creditors – amounts falling due after more than one year

	2014 £000	2013 £000
Obligations under intra-Group finance lease	-	453,884
	-	453,884
Maturity of finance lease liabilities	2014 £000	2013 £000
Less than one year (note 14)	-	15,722
Between one and five years	-	107,210
Over five years	-	346,674
	-	469,606

In 2013 the finance lease obligations represented amounts owing to Humberland Limited, the Company's subsidiary undertaking. On 31 December 2014, as part of an internal reorganisation by the ultimate parent company, these assets held under finance lease were transferred from Humberland Limited to the Company (note 5).

17. Provisions for liabilities

	Deferred taxation £000	Decommissioning provision £000	Total £000
As at 1 January 2014	2,620	2,738	5,358
Additions and Revisions	-	699	699
Accretion of interest	-	74	74
Transfer to Debtors	(2,620)	-	-
Charged to the Profit and Loss Account	-	-	(2,620)
As at 31 December 2014	-	3,511	3,511

Decommissioning provision

The decommissioning provision represents the future expected costs of decommissioning the station at the end of its useful economic life, discounted to its present value. In 2014, the estimated costs of decommissioning the power station increased by £699,000.

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

18. Financial instruments

In accordance with Statutory Instrument 2008/410 of the Companies Act 2006, the fair values of the Company's financial instruments are analysed below.

	2014 £000	2013 £000
Derivative financial instruments		
Foreign exchange derivatives - assets	<u>3</u>	<u>4</u>

19. Called up share capital

	2014 £000	2013 £000
Allotted and fully paid:		
20,000,000 (2013: 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

20. Reserves

	Share premium account £000	Profit and loss account £000	Total £000
As at 1 January 2014	8,436	120,659	129,095
Profit for the financial year	-	96,485	96,485
At 31 December 2014	<u>8,436</u>	<u>217,144</u>	<u>225,580</u>

21. Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Profit / (loss) for the financial year	96,485	(53,470)
Opening shareholders' funds	<u>149,095</u>	<u>202,565</u>
Closing shareholders' funds	<u>245,580</u>	<u>149,095</u>

Centrica SHB Limited

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

22. Financial commitments

At 31 December, the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2014 £000	2013 £000
Plant and machinery		
Leases which expire:		
Within one year	-	-
Within two to five years	-	-
After five years	49	49

23. Capital and other commitments

Contracted future capital expenditure as at 31 December 2014 was £69,000 (2013: £44,452,000).

24. Composite debenture

The Company and its subsidiary company, Humberland Limited, have entered into a composite debenture, whereby they each created security in favour of three Centrica pension schemes over all of their assets and undertakings. The composite debenture creates a fixed and floating charge over all of the assets of the Company and Humberland Limited, whereby the trustees of the pension funds can, in the event of a defined event of default by Centrica plc and certain other Centrica group companies, enforce their security, ultimately through taking over the operation of the Humber Power Station and selling it as a going concern. The composite debenture charges the real property which constitutes the Humber Power Station and all its fixtures and fittings, the benefit of certain contractual interests held by the Company and Humberland Limited (such as insurance policies, intra-group company loans and key operational and commercial contracts) and the shares which GB Gas Holdings Limited holds in the Company, and the shares which the Company holds in Humberland Limited. The business activities of Humberland Limited have been transferred to Centrica SHB Limited at 31 December 2014, and therefore it is envisaged that Humberland Limited will be classed as non-trading from now on.

25. Ultimate parent undertaking

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

The Company's 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 Centrica plc consolidated financial statements may be obtained from www.centrica.com.