

**Humberland Limited**

**Annual report  
For the year ended 31 December 2006**

**Registered Number 2949541**

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# **Humberland Limited**

## **Annual report for the year ended 31 December 2006**

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# Humberland Limited

## Directors' report for the year ended 31 December 2006

The directors present their annual report and the audited financial statements of Humberland Limited ("the Company") for the year ended 31 December 2006

### Principal activity

The principal activity of the Company is the development and investment in a gas fired power station at Stallingborough, North East Lincolnshire

### Review of business and future developments

Both phases of the plant were maintained in accordance with the planned inspection programme and remain under contract to Humber Power Limited. This is expected to continue in the coming year

### Financial results and dividends

The profit for the financial year was £42,842,000 (2005 £13,577,000). The retained profit for the financial year of £42,842,000 (2005 £13,577,000) will be added to the reserves

No dividends were paid on the ordinary shares for the year ended 31 December 2006 (2005 £nil)

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to exposure to counterparty credit risk and liquidity risk. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 21-23 of the group's annual report which does not form part of this report

### 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

The directors who held office during the year are given below

Alan Bennett

Jonathan Bradley

Michael Garstang

Simon Goodwin

Amanda King

(resigned 1 August 2006)

Benedict Wright

(appointed 14 August 2006)

### Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8 "Related Party Transactions" not to disclose transactions with other Centrica group companies on the ground that the voting rights of the company are wholly controlled within the group. There have been no disclosable related party transactions during the year (2005 £nil)

# **Humberland Limited**

## **Directors' report for the year ended 31 December 2006 (continued)**

### **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 and are under central control.

Exposure to counterparty credit risk and liquidity risk arises 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 Group companies.

Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly to ensure there is sufficient financial headroom for at least a 12 month period.

### **Political and charitable donations**

The Company made no political or charitable donations during the year (2005: £nil).

### **Directors' and officers' liability**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review.

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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,
- 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.

# Humberland Limited

## Directors' report for the year ended 31 December 2006 (continued)

### Auditor information

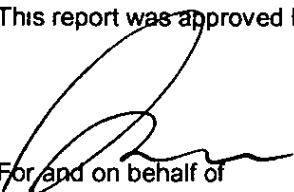
As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware

The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually, and PricewaterhouseCoopers LLP will therefore continue in office

This report was approved by the Board on 26 October 2007



For and on behalf of  
Centrica Secretaries Limited  
Company Secretary

Registered office

Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

# Humberland Limited

## Independent Auditors' report to the Members of Humberland Limited

We have audited the financial statements of Humberland Ltd Limited for the year ended 31 December 2006 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Hull

30 October 2007

## Humberland Limited

### Profit and loss account for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Administration expenses		(36)	(42)
Other Income		13,975	75
<b>Operating profit</b>	4	<b>13,939</b>	<b>33</b>
Interest receivable and similar income	7	54,866	55,616
Interest payable and similar charges	8	(24,277)	(40,794)
<b>Profit on ordinary activities before taxation</b>		<b>44,528</b>	<b>14,855</b>
Tax on profit on ordinary activities	9	(1,686)	(1,278)
<b>Retained profit for the year</b>		<b>42,842</b>	<b>13,577</b>

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

There is no difference between the results disclosed in the profit and loss account above and the results on an unmodified historical cost basis

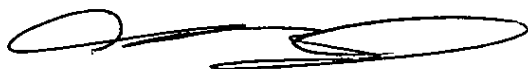
All results relate to continuing operations

# Humberland Limited

## Balance sheet as at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed Assets</b>			
Tangible assets	10	2,210	2,210
<b>Current assets</b>			
Debtors – amounts due within one year	11	8,666	7,812
Debtors – amounts due after more than one year	12	536,778	545,948
		<u>545,444</u>	<u>553,760</u>
<b>Creditors – amounts falling due within one year</b>	13	(43,268)	(86,075)
<b>Net current assets</b>		<u>502,176</u>	<u>467,685</u>
<b>Total assets less current liabilities</b>		504,386	469,895
<b>Creditors – amounts falling due after more than one year</b>	14	(417,381)	(426,163)
<b>Provisions for liabilities and charges</b>	15	(29,744)	(29,313)
<b>Net Assets</b>		<u>57,261</u>	<u>14,419</u>
<b>Capital and reserves</b>			
Called-up share capital	18	-	-
Share premium account	19	842	842
Profit and loss account	19	56,419	27,154
<b>Equity shareholders' funds</b>	20	<u>57,261</u>	<u>27,996</u>

The financial statements on pages 5 to 15 were approved and authorised for issue by the Board of Directors on 26 October 2007 and were signed on its behalf by



Director



# Humberland Limited

## Notes to the financial statements for the year ended 31 December 2006

### 1 Statement of accounting policies

#### Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the applicable United Kingdom Accounting Standards and the Companies Act 1985. The principal accounting policies are set out below.

#### Tangible Fixed assets

Fixed assets with the exception of freehold land, are stated at cost. During 1995 the company's freehold land was valued by the directors on an open market, existing use basis. No further valuations will be carried out in the future, though the existing valuation will be retained.

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on all fixed assets, other than freehold land. Depreciation 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:

- Plant, machinery and equipment	4 years
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#### Finance Leases

Assets held under the 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.

From the point at which each phase of the power station became operational, these assets were leased to the company's parent undertaking under an agreement, which transfers substantially all the risks and rewards of ownership, other than legal title. Income arising under this agreement is allocated according to accounting years so as to give constant rate of return on the net cash investment in the lease.

#### 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 as stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax losses relating to the carry forward of unused tax losses are recognised to the extent that it can be regarded as more likely than not that future taxable profits will be available against which the unused tax losses can be utilised.

# Humberland Limited

## Notes to the financial statements for the year ended 31 December 2006

### 1 Statement of accounting policies (continued)

#### Interest

Interest on borrowing specifically relating to the financing of each Phase was capitalised during the construction year. All other interest is charged/credited directly to the profit and loss account.

### 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 "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 companies that are part of the Centrica plc group.

### 3 Segmental reporting

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

### 4 Operating profit

	2006 £'000	2005 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation of tangible fixed assets (note 10)	-	6
<b>Services provided by the company's auditor</b>		15
- fees payable for the audit	8	-
Other Income		
- fee on reassignment of finance lease	(13,900)	-

### 5 Directors' emoluments

The directors received no emoluments as they are employed by other Centrica group companies (2005: £nil).

All of the Directors are members of the ultimate parent company's defined benefit pension scheme.

### 6 Employee information

Other than directors, there were no employees of the company during the year (2005: Nil).

## **Humberland Limited**

### **Notes to the financial statements for the year ended 31 December 2006 (continued)**

#### **7 Interest receivable and similar income**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Intra-group finance lease interest	<b>54,866</b>	<b>55,616</b>

#### **8 Interest payable and similar charges**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Interest rate swap fees	<b>6,376</b>	<b>21,562</b>
Finance lease	<b>17,901</b>	<b>19,232</b>
	<b>24,277</b>	<b>40,794</b>

# Humberland Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 9 Tax on profit on ordinary activities

	2006 £'000	2005 £'000
<b>Current tax:</b>		
UK corporation tax at 30% (2005 30%) based on the profit for the year		784
Adjustments in respect of prior years	1,255	(130)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	498	619
Adjustments in respect of prior years	(67)	5
<b>Tax on profit on ordinary activities</b>	<b>1,686</b>	<b>1,278</b>

The tax assessed for the year differs from that calculated at the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £'000	2005 £'000
<b>Profit on ordinary activities before tax</b>	<b>44,528</b>	<b>14,855</b>
Profit on ordinary activities multiplied by standard rate in the UK of 30% (2005 30%)	13,358	4,457
Effects of		
Expenses not deductible for tax purposes		-
Capital allowances in excess of depreciation	(457)	(602)
Other timing differences	(41)	(17)
Adjustments in respect of prior years	1,255	(130)
Group relief for nil consideration	(12,024)	(1,872)
UK UK transfer pricing adjustments	(836)	(1,182)
<b>Current tax charge for the year</b>	<b>1,255</b>	<b>654</b>

# Humberland Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 10 Tangible fixed assets

	Freehold Land	Plant, machinery and equipment	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 31 December 2005	2,210	817	3,027
Additions	-	-	-
<b>As at 31 December 2006</b>	<b>2,210</b>	<b>817</b>	<b>3,027</b>
<b>Accumulated depreciation</b>			
At 31 December 2005	-	817	817
Charge for the year	-	-	-
<b>At 31 December 2006</b>	<b>-</b>	<b>817</b>	<b>817</b>
<b>Net book value</b>			
<b>At 31 December 2006</b>	<b>2,210</b>	<b>-</b>	<b>2,210</b>
At 31 December 2005	2,210	-	2,210

The Company's freehold land was valued by the directors on 31 March 1995 and is included at this valuation above. The historical cost and net book value of the Company's freehold land at 31 December 2006 is £1,362,000 (2005 £1,362,000). The Company has adopted the transitional provisions of Financial Reporting Standard No 15 - "Tangible Fixed Assets" and as a result no further valuations will be carried out and previous surpluses will be retained.

### 11 Debtors – amounts due within one year

	2006	2005
	£'000	£'000
Net investment in intra-group finance leases	7,726	5,617
Corporation tax	931	2,186
Prepayments and accrued income	9	9
	<b>8,666</b>	<b>7,812</b>

# Humberland Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 12 Debtors – amounts due after more than one year

	2006 £'000	2005 £'000
Net investment in intra-group finance leases	536,778	545,948

### 13 Creditors - amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	-	11
Amounts owed to parent undertaking	29,579	74,032
Obligations under finance leases	13,689	12,032
	43,268	86,075

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

### 14 Creditors - amounts falling due after more than one year

	2006 £'000	2005 £'000
Obligations under finance lease	417,381	426,163

Fixed and floating charges exist over all the assets of the Company to secure its finance lease liabilities

#### Finance leases

	2006 £'000	2005 £'000
<b>Amounts repayable by installments:</b>		
Less than one year	13,738	12,032
Between two and five years	71,905	45,562
Over five years	345,427	380,601
	431,070	438,195

The finance lease bears interest at a margin above Libor. The rate is predominantly fixed using interest rate swaps at rates varying between 7.0% and 7.7% which expire between 2009 and 2014.

# Humberland Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 15 Provisions for liabilities and charges

	<b>Deferred taxation £'000</b>	<b>Total £'000</b>
As at 1 January 2006	29,313	29,313
Profit and loss charge	431	431
<b>As at 31 December 2006</b>	<b><u>29,744</u></b>	<b><u>29,744</u></b>

Deferred tax is provided at 30% (2005 30%) Full provision has been made for deferred taxation arising from accelerated capital allowances

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and have been enacted in the 2007 Finance Act or are expected to be enacted in the 2008 Finance Act. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of the changes to be enacted in the Finance Act 2007 would be to reduce the deferred tax liability provided at 31 December 2006 by £1,729,000 and would increase profits for the year by the same amount. This decrease in deferred tax is due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008. The other changes to be enacted would have no further effects on the deferred tax provided at 31 December 2006.

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 (note 1)

### 17 Financial Instruments

In accordance with Statutory Instrument 04/2947 of the Companies Act 1985, the fair values of the Company's financial instruments are analysed below. These amounts are not included in the Balance Sheet as the Company has not early adopted FRS26 "Financial Instruments: Recognition and Measurement".

	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Derivative financial instruments held for trading</b>		
Interest rate derivatives - liabilities	<u>28,029</u>	44,000
	<b><u>28,029</u></b>	<b><u>44,000</u></b>

## Humberland Limited

### Notes to the financial statements for the year ended 31 December 2006 (continued)

#### 18 Called up Share Capital

	2006 £'000	2005 £'000
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

#### 19 Reserves

	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
As at 1 January 2006	842	13,577	14,419
Retained profit for the year	-	42,842	42,842
<b>At 31 December 2006</b>	<u><b>842</b></u>	<u><b>56,419</b></u>	<u><b>57,261</b></u>

#### 20 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	42,842	13,577
Opening shareholders' funds	14,419	842
<b>Closing shareholders' funds</b>	<u><b>57,261</b></u>	<u><b>14,419</b></u>

#### 21 Commitments and contingent liabilities

##### Capital expenditure

Contracted future capital expenditure as at 31 December 2006 was £nil (2005 £nil)



## **Humberland Limited**

### **Notes to the financial statements for the year ended 31 December 2006 (continued)**

#### **22 Ultimate parent undertaking**

The company's immediate parent undertaking is Centrica SHB 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. 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