

Centrica Langage Limited

Annual report
For the year ended 31 December 2007

Registered Number: 3462783

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Centrica Langage Limited

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Centrica Langage Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of Centrica Langage Limited for the year ended 31 December 2007

Principal activities

The principal activity of the Company is the development of an 885MW gas-fired electricity generating facility at Langage Energy Centre in Plymouth, Devon

Business review

During the year the Company continued the development of the 885MW gas-fired generation facility, this is expected to continue throughout 2008 and generation is currently expected to commence in 2009

Financial results

The loss on ordinary activities after taxation for the year ended 31 December 2007 was £3,202,000 (2006 profit £929,000)

Dividends

No dividends were paid or declared for the year ended 31 December 2007 (2006 £nil)

Principal risks and uncertainties and financial risk management

The principle risks and uncertainties are integrated with the principal risks of the Centrica plc group ("the group") and are not managed separately. The principal risks of the group are set out on pages 25-27 of the Annual Report and Accounts of Centrica plc the group which does not form part of this report

The directors of the group have established objectives and policies for managing financial risks to enable the group and 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 arises in the normal course of the company's business and is managed within parameters set by the directors of Centrica plc

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Exposure to credit risk is limited predominantly to exposures with other Centrica group companies. Exposure to credit risk for the company is limited because it is still in the asset development phase and is not yet supplying electricity to customers. An ageing of receivables is monitored and used to manage the exposure to credit risk

Cash forecasts identifying the liquidity requirements of the company are produced frequently and reviewed regularly to ensure there is sufficient financial headroom for at least a 12 month period. Funding for the development of the company's power station is provided by Centrica plc

The company faces construction risk exposure. The main risks are overruns on the power station construction costs and failure to complete the project on time. To mitigate against these risks, the directors of the company have put in place mostly fixed price contracts for the construction of the power station

Centrica Langage Limited

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

Key performance indicators

The directors of the Centrica plc use a number of key performance indicators to monitor progress against the group's strategy. The development, performance and position of the group, which includes the company, are discussed on pages 14 of the annual report and accounts of Centrica plc which does not form part of this report.

Future developments

Development of the 800MW gas-fired generation facility, is expected to continue throughout 2008 and generation is currently expected to commence in 2009.

Directors

The following served as directors during the year and up to the date of signing of these financial statements

Alan Bennet	(resigned 31 October 2007)
Simon Clark	(resigned 4 July 2007)
Michael Garstang	(resigned 28 April 2008)
Gearoid Lane	(resigned 4 July 2007)
Simon Wills	(resigned 28 April 2008)
Tony Jarvis	(appointed 4 July 2007)
James Spence	(appointed 31 October 2007)
Stuart Graeme Collinson	(appointed 28 April 2008)
John Watts	(appointed 28 April 2008)
Sarwjit Sambhi	(appointed 28 April 2008)

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

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

Related party transactions

The company has taken advantage of the exemptions within Financial Reporting Standard No. 8 "Related Party Disclosures" from disclosure of transactions with other Centrica group companies. There have been no other disclosable related party transactions during the year (2006 Nil).

Creditor payment policy

It is the company's policy to pay all of its creditors in accordance with the policies set out below. Special contractual terms will apply for gas and electricity supplies once the company begins to produce and sell electricity. For all other trade creditors, it is the company's policy to

- i) agree the terms of payment in advance with the supplier,
- ii) ensure that suppliers are aware of the terms of payment, and
- iii) pay in accordance with contractual and other legal obligations.

Centrica Langage Limited

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

Political and charitable donations

The company made no political donations during the year (2006 £nil) The company made charitable donations of £15,000 during the year (2006 £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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors

In accordance with Section 234ZA(2), in the case of each director in office at the date the directors' report is approved, that

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

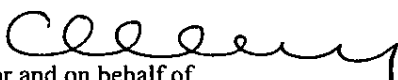
Centrica Langage Limited

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

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 30 October 2008


For and on behalf of
Centrica Secretaries Limited
Company Secretary

Registered office

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Langage Limited

Independent auditors' report to the members of Centrica Langage Limited

We have audited the financial statements of Centrica Langage Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

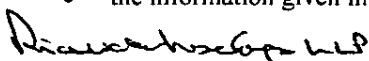
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hull

31 October 2008

Centrica Langage Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Administrative expenses		(3,202)	(670)
Exceptional item - Reversal of impairment provision		-	1,599
(Loss) / profit on ordinary activities before taxation	3	(3,202)	929
Tax on (loss) / profit on ordinary activities	7	-	-
(Loss) / profit for the year	13	(3,202)	929

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

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents

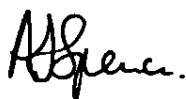
All results relate to continuing operations

Centrica Langage Limited

Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	8	197,271	22,292
Current assets			
Debtors	9	32,849	70,581
Cash at bank and in hand		-	402
		<u>32,849</u>	<u>70,983</u>
Creditors – amounts falling due within one year	10	(232,706)	(92,659)
Net current liabilities		<u>(199,857)</u>	<u>(21,676)</u>
Total assets less current liabilities		<u>(2,586)</u>	<u>616</u>
Net (liabilities) / assets		<u><u>(2,586)</u></u>	<u><u>616</u></u>
Capital and reserves			
Called-up share capital	12	-	-
Other reserves - capital contributions	13	30,342	30,342
Profit and loss account	13	(32,928)	(29,726)
Equity shareholder funds - deficit	14	<u><u>(2,586)</u></u>	<u><u>616</u></u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 30 October 2008 and were signed on its behalf by



James Spence
Director

Centrica Langage Limited

Notes to the financial statements for the year ended 31 December 2007

1 Principal accounting policies

Accounting principles

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

Tangible fixed assets

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

Assets in the course of construction represent the cost of purchasing, commissioning, constructing and installing tangible fixed assets ahead of their productive use. At the point of completion of the asset, the associated cost will be transferred to power station assets or plant and machinery, at which point the asset will begin to be depreciated on a straight line basis over its useful economic life.

Freehold land is not depreciated.

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 fair value less costs to sell 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.

Foreign currency

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

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.

Centrica Langage Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Principal accounting policies (continued)

Taxation (continued)

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

Financial Instruments

The company has entered into forward contracts to economically hedge its foreign exchange exposure on milestone payments made to foreign suppliers. Changes in the derivatives' fair value are not recognised (note 12)

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 of financial reporting standard "No 8 Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

3 (Loss)/profit on ordinary activities before taxation

	2007 £'000	2006 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Write-back of previous impairment provision	-	(1,599)
Auditors' fees – statutory audit services	6	-

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of Centrica Langage Limited. In line with Tech 6/06, 'Disclosure of auditor remuneration', issued by the ICAEW, it excludes fees in relation to the audit of the IFRS group consolidation schedules for the purpose of the Centrica group audit, which are borne by Centrica Plc.

The audit fee for 2006 (£6,000) was borne by another group company and not recharged.

4 Segmental reporting

All activity occurs wholly in the United Kingdom

Centrica Langage Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

5 Directors' emoluments

The directors received no emoluments during the year (2006 £nil), as they were employed by other Centrica group companies. No recharges of emoluments are made to the Company as it is not possible to accurately apportion them and accordingly no amounts are included in the financial statements for these individuals. All of the directors who served during the year are members of the ultimate parent company's defined benefit pension scheme.

6 Employee information

The company has no direct employees (2006 nil). However, costs amounting to £479,210 (2006 £nil) were incurred during the year in respect of an average of 15 (2006 nil) staff providing services to Centrica Langage Limited under an employee services agreement with a Centrica group company.

During 2006 any costs relating to employees were borne by other Centrica group companies.

Centrica Langage Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Tax on loss on ordinary activities

	2007 £'000	2006 £'000
The tax charge comprises :		
UK corporation tax at 30% (2006 30%) based on the (loss)/profit for the year	-	-
Current tax	-	-
Deferred tax - origination and reversal of timing differences	-	-
Total tax on (loss)/profit on ordinary activities	-	-

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

	2007 £'000	2006 £'000
(Loss)/profit on ordinary activities before tax	(3,202)	929
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	(961)	279
Effects of		
Income not taxable	-	(480)
Losses not recognised	968	210
Group relief for nil consideration	1,937	398
UK UK transfer pricing adjustment	(1,944)	(407)
Current tax charge for the year	-	-

Centrica Langage Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8 Tangible fixed assets

	Land	Assets under construction	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2007	1,707	20,585	22,292
Additions	-	174,979	174,979
At 31 December 2007	1,707	195,564	197,271
Accumulated depreciation			
At 1 January 2007 & 31 December 2007	-	-	-
Net book amount			
At 31 December 2007	1,707	195,564	197,271
At 31 December 2006	1,707	20,585	22,292

9 Debtors

	2007	2006
	£'000	£'000
Prepayments	32,740	60,881
Other debtors	109	9,700
	32,849	70,581

The prepayment relates to the payments made in advance for the construction contracts

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

A deferred tax asset of £3,571,212 (2006 £2,868,000) relating to pre trading expenditure is currently unrecognised.

Centrica Langage Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdrafts	164	-
Trade creditors	888	36,094
Amounts owed to group undertakings	201,718	56,518
Other creditors	2,480	47
Accruals and deferred income	27,456	-
	<u>232,706</u>	<u>92,659</u>

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

11 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

	2007 £'000	2006 £'000
Derivative financial instruments		
Foreign exchange swaps – liabilities	<u>1,645</u>	<u>6,321</u>

12 Called-up share capital

	2007 £'000	2006 £'000
Authorised		
100 ordinary shares of £1 each	<u>-</u>	<u>-</u>
Allotted and fully paid		
20 ordinary shares of £1 each	<u>-</u>	<u>-</u>

13 Reserves

	Capital contributions £'000	Profit and loss account £'000	Total £'000
As at 1 January 2007	30,342	(29,726)	616
Loss for the year	-	(3,202)	(3,202)
At 31 December 2007	<u>30,342</u>	<u>(32,928)</u>	<u>(2,586)</u>

Centrica Langage Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

14 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
(Loss) / profit for the year	(3,202)	929
Opening shareholders' funds	616	(313)
Closing shareholders' funds	<u>(2,586)</u>	<u>616</u>

15 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. The total cost recharged to the company for pension costs under the service level agreement with another group company was £6,335 (2006 £ nil)

16 Capital and other commitments

The following capital commitments and other commitments, for which no provision has been made, have been entered into by the company at the end of the year

	2007 £'000	2006 £'000
Operation and maintenance costs	32,160	-
Assets under construction	<u>168,804</u>	<u>229,085</u>

17 Going concern

The directors have considered the application of the going concern basis of accounting and believe that for the foreseeable future the company will have adequate resources to meet its liabilities as they fall due. In making this assessment the directors of the company have considered the intentions of the directors of Centrica plc, the ultimate parent undertaking, to provide financial support to the company in the conduct of its ordinary business operations for a period of at least 12 months from the date of approval of these financial statements.

18 Ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited

The ultimate parent undertaking and controlling party is Centrica plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. 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