

Centrica KL Limited
Annual report
For the year ended 31 December 2004

Registered Number: 4262243



Centrica KL Limited

Annual report for the year ended 31 December 2004

	Pages
Directors' report	1
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account for the year ended 31 December 2004	7
Balance sheet as at 31 December 2004	8
Notes to the financial statements for the year ended 31 December 2004	9-16

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of Centrica KL Limited ("the Company") for the year ended 31 December 2004.

Principal activities

The principal activity of the Company is the operation of a 325MW gas fired combined cycle gas turbine generating station at Kings Lynn, Norfolk.

Review of business and future developments

During the year the Company continued the operation of Kings Lynn Power Station. The Company operates under a capacity tolling arrangement with British Gas Trading Limited, who are responsible for energy procurement for the Centrica Group.

On 25/11/04, the row 2 gas turbine blade failed. As the station was inoperable this caused an unplanned outage which continued into 2005. This had an adverse effect on the results for both periods.

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

Results and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2004 is £2,836,000 (2003: £9,882,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: £nil).

Directors

The following served as directors during the year:

	Date of Appointment	Date of Resignation
Michael Garstang	24/10/2001	
Jonathan Bradley	11/02/2004	
Alan Bennett	06/11/2002	
Ian Wood	06/03/2003	11/02/2004
Simon Goodwin	06/03/2003	
Amanda King	18/08/2003	
Stephen Mancey (alternate)	06/03/2003	11/02/2004

Directors' interests

At no time did any Director holding office at 31 December 2004 have any interest in the shares of the Company or any other company within the Centrica plc Group except for the interests in, and the options over, the shares and interests of the ultimate parent company, Centrica plc.

On 25 October 2004, the ordinary share capital of Centrica plc was consolidated on the basis of 9 new ordinary shares of 6 ¹⁴/₈₁ pence per share for every 10 existing ordinary shares of 5 ⁵/₉ pence per share. Shares shown as 31 December 2003 are on a pre-consolidation basis and those shown at 31 December 2004 are shown on a post-consolidation basis.

The directors with interests in and options over the ordinary shares of Centrica plc at the year end are as follows:

Directors' report for the year ended 31 December 2004 (continued)

Beneficial interests in ordinary shares

	As at 31 December 2004	As at 31 December 2003*
Michael Garstang	-	246
Alan Bennett	2,077	3,810
Amanda King	1,380	758
Simon Goodwin	5,530	1,362
Jonathan Bradley	123,658	113,745

The above figures include shares appropriated under the terms of the Centrica Share Incentive Plan.

* or at date of appointment.

Centrica Sharesave scheme

	As at 31 December 2004	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2003*
Michael Garstang	-	-	-	-	-
Alan Bennett	8,823	-	-	-	8,823
Amanda King	5,161	-	-	5,161	-
Simon Goodwin	10,776	-	-	-	10,776
Jonathan Bradley	8,823	-	-	-	8,823

Options over shares in Centrica plc were granted on 6th April 2004 at an option price of 182.6 pence per share.

* or at date of appointment.

Centrica Executive Share Option Scheme

	As at 31 December 2004	Exercised during the year	Granted during the year	As at 31 December 2003*
Michael Garstang	-	-	-	-
Alan Bennett	169,298	-	66,979	102,319
Amanda King	-	-	-	-
Simon Goodwin	-	-	-	-
Jonathan Bradley	141,689	-	59,834	81,855

Options over shares in Centrica plc were granted on 18 March 2004 at an option price of 223.95 pence per share.

* or at date of appointment.

Directors' report for the year ended 31 December 2004 (continued)**Centrica Long term incentive scheme**

	As at 31 December 2004	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2003*
Michael Garstang	94,377	5,123	15,369	21,365	93,504
Alan Bennett	131,448	5,977	43,813	34,574	146,664
Amanda King	83,228	-	-	24,534	58,694
Simon Goodwin	17,121	2,037	6,111	9,275	15,994
Jonathan Bradley	117,558	5,062	38,406	30,895	130,131

Total allocations as at 31 December 2004 shown above include both allocations of shares that are subject to performance conditions and allocations of shares that have reached the conclusion of the relevant three-year performance period but are subject to a two-year retention period.

A conditional allocation of shares was made on 1 April at a price of 225.6 pence per share.

* or at date of appointment.

Centrica Restructured Executive Share Option Scheme

	As at 31 December 2004	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2003
Michael Garstang	-	-	-	-	-
Alan Bennett	-	-	-	-	-
Amanda King	-	-	-	-	-
Simon Goodwin	-	-	-	-	-
Jonathan Bradley	62,469	-	-	-	62,469

Options were granted under the terms of the ultimate parent company's Sharesave scheme, Executive Share Option scheme and Restructured Share Option scheme, and allocations made under the terms of the Long-term Incentive scheme. Details of these schemes and the Share Incentive Plan can be found in the 2004 accounts of Centrica plc, copies of which can be obtained from the Secretariat Department of Centrica plc or from www.centrica.com.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2004 (31 December) was 236.25 pence. The range during the year was 256.25 pence (high) and 196.94 pence (low).

As at 31 December 2004, 6,400,000 shares (1 January 2004: 21,200,505) were held by the trustee of the employee share trust under the LTIS rules. The directors are deemed to have a potential interest in those shares, being beneficiaries under the trust.

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.

Directors' report for the year ended 31 December 2004 (continued)

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 discloseable related party transactions during the period.

Political and charitable donations

The Company made no political or charitable donations during the year.

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 period under review.

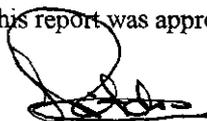
Creditor payment policy

The Company aims to pay all of its creditors (of which none were trade creditors) promptly within the agreed contract terms.

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 26th October 2005.



For and on behalf of
Centrica Secretaries Limited
Company Secretary

Ian Ritchie

Registered office:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

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

Independent Auditors' report to the Shareholder of Centrica KL Limited

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ricardus Cooper
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hull

28 October 2005

Profit and loss account for the year ended 31 December 2004

	Notes	31 December 2004 £'000	31 December 2003 £'000
Turnover	3	23,099	26,617
Cost of sales		(12,916)	(11,313)
Gross profit		10,183	15,304
Distribution costs		(855)	(623)
Administration expenses		(1,483)	(2,213)
Other operating income		-	2,409
Operating profit	4	7,845	14,877
Interest payable and similar charges	7	(5,009)	(4,995)
Profit on ordinary activities before taxation		2,836	9,882
Tax on profit on ordinary activities	8	-	-
Profit on ordinary activities after taxation		2,836	9,882
Dividends		-	-
Retained profit for the year	15	2,836	9,882

The Company has no recognised gains and 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 profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All activities relate to continuing operations.

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

Balance sheet as at 31 December 2004

	Notes	2004 £'000	2003 £'000
Fixed Assets			
Tangible assets	9	60,192	69,077
Current assets			
Stock	10	4,059	2,582
Debtors	11	37,770	25,806
Cash at bank and in hand		5	1
		41,834	28,389
Creditors – amounts falling due within one year	12	(4,705)	(2,981)
Net current assets		37,129	25,408
Total assets less current liabilities		97,321	94,485
Creditors – amounts falling due after more than one year	13	(74,000)	(74,000)
Net assets		23,321	20,485
Capital and reserves			
Called-up share capital	14	-	-
Profit and loss account	15	23,321	20,485
Equity shareholder funds	16	23,321	20,485

The financial statements on pages 7 to 16 were approved by the Board of Directors on 26th October 2005 and were signed on its behalf by:



Amanda King
Director

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

Notes to the financial statements for the year ended 31 December 2004

1 Statement of accounting policies

Basis of accounting

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

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 period in accordance with the capacity tolling arrangement.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. 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 on a straight line basis over its expected useful life as follows for these asset classes:

- Power Station assets : 20 years
- 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 are capitalised and depreciated over their expected economic life, typically to the period of 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.

Operating Leases

Rentals under operating leases are charged 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.

**Notes to the financial statements for the year ended 31 December 2004
(continued)**

1 Statement of accounting policies (continued)

Deferred taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

2 Cash flow statements and related party disclosures

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

Notes to the financial statements for the year ended 31 December 2004 (continued)

3 Segmental reporting

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

4 Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets		
- owned assets	5,663	5,894
Auditors' fees	16	15
Payments arising on termination of lease	-	(2,409)
Direct cost relating to unplanned outage	1,000	-

In November 2004 the plant suffered an unplanned outage. The turbine components damaged in the incident had a net book value of £3,305,000 and have been removed from fixed assets. The impact of the incident on the profit and loss account was a net charge of £1,000,000, all other costs being covered by insurance for which a receivable of £3,274,000 has been recognised at the year end (note 11).

5 Directors' emoluments

The directors received no emoluments during the year as they are employed by other Centrica group companies.

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. However, costs amounting to £2,128,000 (2003: £1,869,000) were incurred during the year in respect of an average of 46 (2003: 40) staff providing services to Centrica KL Limited under an employee services agreement with a Centrica group company.

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Interest payable and similar charges

	2004	2003
	£'000	£'000
Interest payable on loans from fellow subsidiary undertaking	5,009	4,995

8 Tax on profit on ordinary activities

	31 December	31 December
	2004	2003
	£'000	£'000
The tax charge comprises :		
United Kingdom corporation tax at 30% (2003: 30%) based on the profit/(loss) for the period		
Current	-	-
Deferred	-	-
Total tax on 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 :

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	2,836	9,882
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	851	2,965
Effects of :		
Expenses not deductible for tax purposes	2,522	1,764
Depreciation in excess of capital allowances	5	-
Group relief for no payment	(3,378)	(4,729)
Current tax charge for the year	-	-

Notes to the financial statements for the year ended 31 December 2004 (continued)

9 Tangible assets

	Power Station assets	Turbine Components, other plant and machinery	Total
	£'000	£'000	£'000
Cost or valuation			
At 31 December 2003	68,035	11,350	79,385
Additions	-	83	83
Disposals	-	(9,670)	(9,670)
Transfers from stock	-	5,736	5,736
At 31 December 2004	68,035	7,499	75,534
Accumulated Depreciation			
At 31 December 2003	7,386	2,922	10,308
Charge for the year	3,401	2,262	5,663
Disposals	-	(6,365)	(6,365)
Transfers from stock	-	5,736	5,736
At 31 December 2004	10,787	4,555	15,342
Net book value			
At 31 December 2004	57,248	2,944	60,192
At 31 December 2003	60,649	8,428	69,077

10 Stocks

	2004	2003
	£'000	£'000
Consumable spares	4,059	2,582

Notes to the financial statements for the year ended 31 December 2004 (continued)

11 Debtors

	2004 £'000	2003 £'000
Amounts owed by group undertakings	31,827	25,200
Trade debtors	700	-
Other debtors	3,24	542
VAT recoverable	256	-
Prepayments and accrued income	1,713	64
	37,770	25,806

Other debtors includes £3,274,000 as an insurance receivable in relation to turbine damage (see note 4).

12 Creditors – amounts falling due within one year

	2004 £'000	2003 £'000
Bank loans and overdrafts	-	164
Trade creditors	65	648
Amounts owed to group undertakings	2,592	1,239
Accruals and deferred income	2,048	930
	4,705	2,981

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

13 Creditors – amounts falling due after more than one year

	2004 £'000	2003 £'000
Amounts due to group undertakings	74,000	74,000

Amounts due to group undertakings represent an unsecured loan which is repayable 19 October 2016 and bears interest at 6.75%.

Notes to the financial statements for the year ended 31 December 2004 (continued)

14 Called-up share capital

	2004 £'000	2003 £'000
Authorised		
150,000,000 ordinary shares of £1 each	150,000	150,000
Allotted and fully paid		
2 ordinary shares of £1 each	-	-

15 Reserves

	Profit and loss account £'000
At 31 December 2003	20,485
Retained profit for the year	2,836
At 31 December 2004	23,321

16 Reconciliation of movements in shareholder funds

	2004 £'000	2003 £'000
Profit for the year	2,836	9,882
Shareholder funds at 1 January	20,485	10,603
Shareholder funds as at 31 December	23,321	20,485

17 Pension commitments

The pension commitment for the staff providing services to the Company is held in the Centrica group company that holds the service level agreement. The total cost recharged to the Company for pension costs under the service level agreement was £250,000 (2003: £206,000).

18 Commitments and contingent liabilities

Capital expenditure

Contracted future capital expenditure as at 31 December 2004 was £5,438,000 (2003: £159,000)

**Notes to the financial statements for the year ended 31 December 2004
(continued)**

19 Ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited.

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