

Registered Number: 4262243

Centrica KL Limited
Annual report
for the period 31 July 2001 to 31 December 2001



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Centrica KL Limited

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Directors' report for the period ended 31 December 2001

The directors present their report and the audited financial statements of Centrica KL Limited ("the Company") for the period 31 July 2001 to 31 December 2001.

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

The Company was incorporated on 31 July 2001 and acquired the operations and entire economic interest in the gas fired power station from Anglian Power Generators Limited on 19 October 2001. Prior to this date the Company was dormant.

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 period ended 31 December 2001 is £2,212,000. The directors do not recommend the payment of a dividend for the period ended 31 December 2001.

Directors

The following served as directors during the period:

	Appointed	Resigned
David Clarke	2 November 2001	
Michael Garstang	24 October 2001	
Stephen Mancey	24 October 2001	
John Shears	31 July 2001	1 January 2002
Jacob Ulrich	31 July 2001	
R M Nominees Limited	31 July 2001	31 July 2001

Directors' interests

The Directors' interests in ordinary shares of Centrica plc during 2001 (which include those of their families) are shown below.

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

Directors' report for the period ended 31 December 2001 (Continued)**Beneficial interests in ordinary shares**

	As at date of appointment	As at 31 December 2001
David Clarke	1,602	1,602
Michael Garstang	246	246
Stephen Mancey	2,616	2,616
John Shears	1,197	1,197
Jacob Ulrich	69,036	69,036

Interests shown include shares held under the terms of the Centrica plc profit sharing schemes where applicable.

Sharesave scheme

	As at date of appointment	Granted during the period	Exercised during the period	As at 31 December 2001
David Clarke	21,942	-	-	21,942
Michael Garstang	5,962	-	-	5,962
Stephen Mancey	13,204	-	-	13,204
John Shears	5,958	-	-	5,958
Jacob Ulrich	37,176	-	-	37,176

Options over shares in Centrica plc granted in June 1997, June 1998, December 1999, June 2000 and April 2001 were at an option price of 46.4, 92.2, 127.8, 202.6 and 191 pence per share respectively.

Long term incentive scheme

	As at date of appointment	Granted during the period	Lapsed during the period	Exercised during the period	As at 31 December 2001
David Clarke	247,823	-	-	-	247,823
Michael Garstang	48,834	-	-	-	48,834
Steven Mancey	228,780	-	-	-	228,780
John Shears	363,327	39,033	-	-	402,360
Jacob Ulrich	1,352,708	148,206	-	-	1,500,914

Notional allocations of shares were made on 1 October 2001 at a base price of 234.37 pence. Figures as at 31 December 2001 shown above include notional allocations of shares subject to performance conditions and allocations of shares that have reached the conclusion of the relevant performance period but will not be transferred until the expiry of the retention period (a further 2 years).

Directors' report for the period ended 31 December 2001 (Continued)**Executive Share Option Scheme**

	As at date of appointment	Granted during the period	Lapsed during the period	Exercised during the period	As at 31 December 2001
David Clarke	47,906	-	-	-	47,906
Michael Garstang	-	-	-	-	-
Stephen Mancey	56,863	-	-	-	56,863
John Shears	66,652	-	-	-	66,652
Jacob Ulrich	337,429	-	-	-	337,429

Options were granted on 31 May 2001 under the terms of the Executive Share Option Scheme at an option price of 240.05 pence. The option will become exercisable, to the extent that performance conditions are satisfied, three years after the date of the grant and will remain exercisable until the tenth anniversary of the grant.

Options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme and New Executive Share Option Scheme, and allocations made under the terms of the Long Term Incentive Scheme. Details of these schemes can be found in the accounts of Centrica plc.

The closing price of a Centrica plc ordinary share on the last trading day of 2001 (31 December) was 222 pence. The range during the period was 233 pence (high) and 199.75 pence (low).

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


Directors' insurance

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

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



For and on behalf of
Centrica Secretaries Limited
Secretary
30 October 2002

Statement of directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The Directors consider that in preparing the financial statements on pages 6 to 15, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and all accounting standards which they consider to be applicable have been followed.

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 have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

Independent Auditors' report to the Shareholders of Centrica KL Limited

We have audited the financial statements of Centrica KL Limited for the period ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company 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.

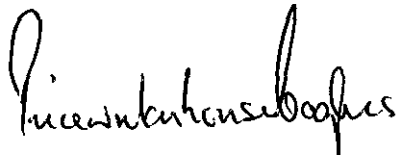
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2001, and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH
30 October 2002

Profit and loss account for the period ended 31 December 2001

	Note	2001 £'000
Turnover – acquired operations		5,856
Cost of sales – acquired operations		(1,309)
Gross profit		4,547
Distribution costs – acquired operations		(89)
Administration expenses – acquired operations		(1,073)
Operating profit – acquired operations	4	3,385
Interest payable and similar charges	7	(1,173)
Profit on ordinary activities before taxation		2,212
Tax on profit on ordinary activities	8	-
Profit for the period		2,212
Dividends		-
Retained profit for the period		2,212

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 period stated and their historical cost equivalents.

All activities relate to continuing operations, all of which were acquired during the period (see note 14).

The notes on pages 8 to 15 form part of these financial statements.

Balance sheet as at 31 December 2001

	Note	2001 £'000
Fixed Assets		
Tangible assets	9	71,986
Current assets		
Stock	10	3,212
Debtors	11	20,215
Cash at bank and in hand		-
Creditors – Amounts falling due within one year	12	(6,251)
Net current assets		17,176
Total assets less current liabilities		89,162
Creditors – Amounts falling due after more than one year	13	(86,950)
Net assets		2,212
Capital and reserves		
Called-up share capital	15	-
Profit and loss account	16	2,212
Equity shareholders' funds	17	2,212

The financial statements on pages 6 to 15 were approved by the Board of Directors on 29 October 2002 and were signed on its behalf by:



David Clarke
Director

The notes on pages 8 to 15 form part of these financial statements.

Notes to the financial statements for the period ended 31 December 2001

1 Principal accounting policies

Basis of accounting

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

Turnover

Turnover principally relates to the sale of power generation capacity to a fellow Group undertaking, during the period.

Fixed assets

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

- | | |
|-------------------------------|---|
| - Power Station assets : | 20 years |
| - Gas turbine components : | over the average expected life of individual components |
| - Other plant and machinery : | 3-6 years |

Overhaul Costs

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

Leases

Assets held under finance leases are capitalised and included in tangible fixed assets at cost. The obligations relating to finance leases, net of finance charges in respect of future periods, are included within creditors. The interest element of the rental obligation is allocated to the accounting periods during the lease term to reflect the constant rate of interest on the remaining balance of the obligation for each accounting period.

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. Stocks are principally made up of strategic spares which are used in the event of a breakdown or overhaul, and which are then capitalised and depreciated over their useful economic life.

Pensions

Pension contributions are charged to the profit and loss accounts as the costs are incurred (see note 18). Differences between contributions payable and contributions actually paid in the period are shown either as accruals or prepayments in the balance sheet.

Deferred tax accounting policy

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.

Notes to the financial statements for the period ended 31 December 2001 (Continued)

1 Principal accounting policies (continued)

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 group'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.

Goodwill

Goodwill arising on the acquisition of a business is included in the balance sheet at cost, less accumulated amortisation and any provisions for impairment. On the acquisition of a subsidiary undertaking (including unincorporated businesses), joint venture or associate, fair values are attributed to the assets and liabilities acquired. Goodwill, which represents the difference between the purchase consideration and the fair values of those net assets, is capitalised and amortised on a straight-line basis over a period which represents the directors' estimate of its useful economic life.

2 Cash flow statements and related party disclosures

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

3 Segmental reporting

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

Notes to the financial statements for the period ended 31 December 2001 (Continued)**4 Operating profit**

	2001 £'000
Operating profit is stated after charging:	
Staff costs	304
Depreciation of tangible fixed assets	
- under finance leases	1,168
Auditors fees	15

Non-audit fees of £178,000 were incurred in the acquisition of the operations and entire economic interest in the power station.

5 Directors' emoluments

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

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

6 Employee information

The company has no direct employees. However, payments amounting to £304,000 were made during the period in respect of an average of 40 staff providing services to Centrica KL Limited through the period under an employee services agreement with a Centrica group company.

Staff costs comprise:

	2001 £'000
Wages and salaries	252
Social security costs	30
Other pension costs	22
	304

Notes to the financial statements for the period ended 31 December 2001 (Continued)

7 Interest payable and similar charges

	2001 £'000
Interest payable on loans from fellow subsidiary undertaking	(1,173)

8 Tax on profit on ordinary activities

	2001 £'000
The tax charge comprises :	
Corporation tax at 30%	-
Deferred tax	
- current year	-
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 :

	2001 £'000
Profit on ordinary activities before tax	2,212
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	664
Effects of :	
Group relief	(664)
Current tax charge for the period	-

Notes to the financial statements for the period ended 31 December 2001 (Continued)

9 Tangible assets

	Power Station assets £'000	Turbine Components, other plant and machinery £'000	Total £'000
Cost or valuation			
At 31 July 2001	-	-	-
Additions	68,029	5,125	73,154
At 31 December 2001	68,029	5,125	73,154
Accumulated Depreciation			
At 31 July 2001	-	-	-
Charge for the year	(664)	(504)	(1,168)
At 31 December 2001	(664)	(504)	(1,168)
Net book amount			
At 31 December 2001	67,365	4,621	71,986
At 31 July 2001	-	-	-

2001
£'000

Assets held under finance leases and capitalised
within Fixed Assets is as follows:

Cost	73,154
Aggregate depreciation	(1,168)
Net book amount	71,986

10 Stocks

	2001 £'000
Strategic spares	3,212

Notes to the financial statements for the period ended 31 December 2001 (Continued)

11 Debtors

	2001 £'000
Amounts owed by group undertakings	6,294
Other debtors	13,194
Prepayments and accrued income	727
	20,215

12 Creditors – Amounts falling due within one year

	2001 £'000
Bank loans and overdrafts	2,400
Trade creditors	76
Amounts owed to group undertakings	2,881
Accruals and deferred income	894
	6,251

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

13 Creditors – Amounts falling due after more than one year

	2001 £'000
Amounts due to group undertakings	86,950

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

14 Acquisition

The Company acquired the operations and entire economic interest in the gas fired power station from Anglian Power Generators Limited on 19 October 2001 by way of a long term lease arrangement in exchange for a single cash payment.

Notes to the financial statements for the period ended 31 December 2001 (Continued)

14 Acquisition (Continued)

The fair value of the assets are as follows:

	2001 £'000
Fair Value:	
Tangible fixed assets	73,154
Stock	3,178
Creditors	(624)
Net assets acquired	75,708
Consideration:	
Cash	74,000
Cost of acquisition	1,708
Consideration	75,708
Goodwill	-

Prior to the acquisition, the power station formed part of Anglian Power Generators Limited and in the circumstances it is not practical to provide details of book values on acquisition or of the results for financial periods before acquisition.

Fair value has been assigned to the plant based on the discounted cash flows over its useful life. Fair value of inventory has been based on the value ascribed to the remaining life of the spares held and un-expired life of its components.

15 Called-up share capital

	2001 £'000
Authorised	
150,000,000 ordinary shares of £1 each	150,000
Allotted and fully paid	
2 ordinary shares of £1 each	-

Notes to the financial statements for the period ended 31 December 2001 (Continued)

16 Reserves

	Profit and loss account £'000
At 31 July 2001	-
Retained profit for the period	2,212
At 31 December 2001	2,212

17 Reconciliation of movements in shareholders' funds

	2001 £'000
Profit for the period	2,212
Shareholders' funds as at 31 July 2001	-
Shareholders' funds as at 31 December 2001	2,212

18 Pension commitments

The Company contributed to the defined benefit pension scheme of the previous employers of the power station employees. Under the "interim participation" agreement the Company was only committed to pay pension contributions to that scheme until 31 March 2002. After that date, all employees reverted to the appropriate Centrica group pension scheme. Any liabilities arising on the original pension scheme are the responsibility of the previous employers. Therefore, this scheme has been accounted for as a defined contribution scheme until all employees were transferred to the aforementioned Centrica scheme.

The cost of contributions to the scheme amount to £22,000. There are no outstanding contributions to the pension scheme at the period end.

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.

20 Post balance sheet events

On 16 January 2002, 2 turbine blades that were acquired with the power station were found to be faulty. The total value of these assets was £1,607,000. This asset has been adjusted for in the fair value table within note 14 in the accounts for the period ended 31 December 2001.