

Centrica PB Limited
Annual report and accounts
for the year ended 31 December 2003

Registered Number: 4262250



Centrica PB Limited

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Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of Centrica PB Limited ("the Company") for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is the operation of a 360MW gas fired combined cycle gas turbine generating station at Peterborough, Cambridgeshire.

Review of business and future developments

During the year the Company continued the operation of Peterborough Power Station. There are no plans to change the nature of activities in the foreseeable future. The Company operates under a capacity tolling arrangement with British Gas Trading Limited who are responsible for energy procurement for the Centrica Group.

Results and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2003 is £12,994,000 (2002: £10,693,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2003 (2002: £nil).

Directors

The following served as directors during the year:

	Date of Appointment	Date of Resignation
Michael Garstang	24/10/2001	
David Clarke	02/11/2001	18/08/2003
Jacob Ulrich	16/05/2001	06/03/2003
Alan Bennett	06/11/2002	
Ian Wood	06/03/2003	
Amanda King	18/08/2003	
Simon Goodwin (alternate director)	06/03/2003	
Stephen Mancey (alternate director)	06/03/2003	

On 11th February 2004 Ian Wood resigned as director (Stephen Mancey and Simon Goodwin consequently resigned as his alternate on the same date) and Jonathan Bradley and Simon Goodwin were appointed as additional directors.

Directors' interests

At no time did any Director holding office at 31 December 2003, have any interest in the shares of the Company (2002: Nil) 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, as set out below.

Directors' report for the year ended 31 December 2003 (continued)

Beneficial interests in ordinary shares

	As at 31 December 2003	As at 31 December 2002*
Michael Garstang	246	246
David Clarke	68,086	40,891
Jacob Ulrich	512,588	491,495
Alan Bennett	3,810	28,478
Ian Wood	252,595	196,180
Amanda King	-	-
Simon Goodwin	1,362	693
Stephen Mancey	18,657	2,235

The figures above include shares appropriated under the terms of the Centrica profit sharing scheme, and shares held under the Centrica share incentive plan (SIP). **

Sharesave scheme

	As at 31 December 2003	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2002*
Alan Bennett	8,823	5,462	-	8,823	5,462
Ian Wood	15,336	7,454	-	15,336	7,454
Simon Goodwin	10,776	-	-	-	10,776
Stephen Mancey	12,730	-	13,204	12,730	13,204

Options were granted under the terms of the scheme in December 1999, June 2000, June 2001, June 2002 and June 2003 at an option price of 127.7, 202.6, 191, 177.6 and 107.1 pence per share respectively.

Directors' report for the year ended 31 December 2003 (continued)

Executive Share Option Scheme

	As at 31 December 2003	Exercised during the year	Granted during the year	As at 31 December 2002*
Alan Bennett	102,319	-	102,319	-
Ian Wood	263,981	-	118,178	145,803
Stephen Mancey	218,300	-	97,714	120,586

Under the terms of the scheme a further grant of options was made on 24 March 2003 at an option price of 146.6 pence per share.

Long term incentive scheme

	As at 31 December 2003	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2002*
Michael Garstang	93,504	7,086	-	31,739	68,851
Alan Bennett	146,664	7,886	33,590	50,864	137,276
Ian Wood	248,532	15,677	76,661	64,665	276,205
Simon Goodwin	15,994	-	-	7,846	8,148
Stephen Mancey	219,489	15,355	76,661	50,864	260,641

Total allocations as at 31 December 2003 shown above include both notional allocations of shares that are subject to performance conditions and awards 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 under the terms of the scheme on 1 April 2003 at a base price of 179.4 pence per share.

* or at date of appointment.

Options were granted under the term of the ultimate parent company's Sharesave scheme and Executive Share Option scheme, and allocations made under the terms of the Long-term Incentive scheme. Details of these schemes, the Share Incentive Plan and Profit Sharing scheme, can be found in the 2003 accounts of Centrica plc, copies of which can be obtained from the secretariat Department of Centrica plc or from www.centrica.com.

Directors' report for the year ended 31 December 2003 (continued)

The middle market price of a Centrica plc ordinary share on the last day of trading of 2003 (31 December) was 211 pence. The range during the year was 212.75 pence (high) and 131.5 pence (low).

There were no contracts of significance subsisting during or at the end of the financial year to which the Company 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 discloseable related party transactions during the year (2002: £nil).

Political and charitable donations

The Company made charitable donations of £4,280 during the year (2002: £nil). The Company made no political donations (2002: £nil).

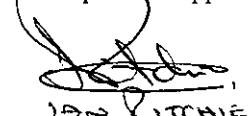
Directors' and officers' liability

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

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 27 October 2004.



for and on behalf of
Centrica Secretaries Limited
Company Secretary

27 October 2004

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 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 2003 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 PB 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.

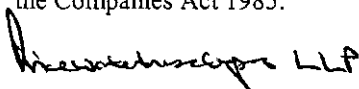
Basis of opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hull
27 October 2004

Profit and loss account for the year ended 31 December 2003

	Notes	31 December 2003 £'000	31 December 2002 £'000
Turnover	1	31,600	32,709
Cost of sales		(11,065)	(10,547)
Gross profit		20,535	22,162
Distribution costs		(739)	(657)
Administration expenses		(2,992)	(4,067)
Other operating income		2,907	-
Operating profit	4	19,711	17,438
Interest payable and similar charges	7	(6,717)	(6,745)
Profit on ordinary activities before taxation		12,994	10,693
Tax on profit on ordinary activities	8	-	-
Profit for the period		12,994	10,693
Dividends		-	-
Retained profit for the period	15	12,994	10,693

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 after taxation and the retained profit for the period stated 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 2003

	Note	2003 £'000	2002 as restated £'000
Fixed Assets			
Tangible assets	9	90,115	95,797
Current assets			
Stock	10	583	131
Debtors	11	37,489	22,069
Cash at bank and in hand		-	-
		38,072	22,200
Creditors – amounts falling due within one year	12	(2,702)	(5,506)
Net current assets		35,370	16,694
Total assets less current liabilities		125,485	112,491
Creditors – amounts falling due after more than one year	13	(99,500)	(99,500)
Net assets		25,985	12,991
Capital and reserves			
Called-up share capital	14	-	-
Profit and loss account	15	25,985	12,991
Equity shareholder funds	16	25,985	12,991

The financial statements on pages 7 to 16 were approved by the Board of Directors on 27 October 2004 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 2003**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 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.

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.

Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Principal accounting policies (continued)

Deferred tax (continued)

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.

Restatement of prior year comparatives

During the year the company changed its classification method for fixed assets and stocks. The comparative figures have been restated to reflect this change.

Previously, prior to use and during overhaul periods turbine components were classified as stocks and while connected and available for use the assets were classed as fixed assets. In the current year, from the point of purchase through to sale or disposal, turbine components are treated as fixed assets. At times of outage for overhaul of turbines the assets continue to be treated as fixed assets and are not taken into stock.

The effect of the change in accounting policies was to increase tangible assets in 2002 by £8,600,000 and to decrease stock by the same amounts. There is no impact on profits

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 year ended 31 December 2003 (continued)

4 Operating profit

	31 December 2003 £'000	31 December 2002 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets		
- held under finance leases	-	4,372
- owned assets	5,896	1,250
Auditors' fees	15	15
Payment arising on termination of lease	(2,907)	-

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 £2,245,000 (2002: £1,777,000) were incurred during the year in respect of an average of 41 (2002: 40) staff providing services to Centrica PB Limited under an employee services agreement with a Centrica group company.

7 Interest payable and similar charges

	31 December 2003 £'000	31 December 2002 £'000
Interest payable on loans from fellow subsidiary undertaking	6,717	6,745

Notes to the financial statements for the year ended 31 December 2003 (continued)

8 Tax on profit on ordinary activities

	31 December 2003 £'000	31 December 2002 £'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:

	31 December 2003 £'000	31 December 2002 £'000
Profit on ordinary activities before tax	12,994	10,693
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	3,898	3,208
Effects of :		
Expenses not deductible for tax purposes	1,753	42
Group relief for no payment	(5,651)	(3,250)
Current tax charge for the year	-	-

No recharge is made by group companies for the group relief received by the Company.

Notes to the financial statements for the year ended 31 December 2003 (continued)

9 Tangible assets

	Power Station assets £'000	Turbine Components, other plant and machinery £'000	Total £'000
Cost or valuation			
At 31 December 2002 as restated	86,481	15,062	101,543
Additions	-	214	214
Disposals	-	-	-
At 31 December 2003	86,481	15,276	101,757
Accumulated Depreciation			
At 31 December 2002 as restated	(5,188)	(558)	(5,746)
Charge for the year	(4,316)	(1,580)	(5,896)
Disposals	-	-	-
At 31 December 2003	(9,504)	(2,138)	(11,642)
Net book amount			
At 31 December 2003	76,977	13,138	90,115
At 31 December 2002	81,293	14,504	95,797

Restatement of opening balances is due to the change in classification affecting fixed assets and stocks as discussed in the Principal Accounting Policies note. The effect of the change was to increase tangible assets opening balance by £8,600,000 and to decrease stock opening balance by the same amount.

10 Stocks

	2003 £'000	2002 as restated £'000
Consumable spares	583	131
	583	131

See above under Fixed Asset note for explanation of restatement.

Notes to the financial statements for the year ended 31 December 2003 (continued)

11 Debtors

	2003 £'000	2002 £'000
Trade debtors	4	8
Amounts owed by group undertakings	36,928	20,525
Other debtors	292	319
Prepayments and accrued income	265	1,217
	37,489	22,069

12 Creditors – amounts falling due within one year

	2003 £'000	2002 £'000
Bank loans and overdrafts	186	195
Trade creditors	85	271
Amounts owed to group undertakings	1,869	3,704
Other creditors	-	422
Accruals and deferred income	562	914
	2,702	5,506

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

13 Creditors – amounts falling due after more than one year

	2003 £'000	2002 £'000
Amounts due to group undertakings	99,500	99,500

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 2003 (continued)

14 Called-up share capital

	2003 £'000	2002 £'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 2002	12,991
Retained profit for the year	12,994
At 31 December 2003	25,985

16 Reconciliation of movements in shareholder funds

	2003 £'000	2002 £'000
Profit for the year	12,994	10,693
Shareholder funds at 1 January	12,991	2,298
Shareholder funds as at 31 December	25,985	12,991

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 £238,000 (year ended 31 December 2002: £195,000).

18 Commitments and contingent liabilities

Capital expenditure

Contracted future capital expenditure as at 31 December 2003 was £159,000

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.