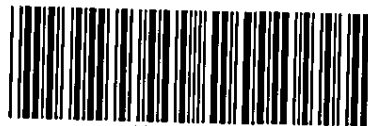


Centrica PB Limited

Annual report
For the year ended 31 December 2007

Registered Number 4262250

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Centrica PB Limited

Annual report for the year ended 31 December 2007

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Centrica PB Limited

Directors' report for the year ended 31 December 2007

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

Principal activities

The company's principal activity during the year was the operation of a 360MW gas fired combined cycle gas turbine generating station at Peterborough, Cambridgeshire

Business review

During the year the company continued the operation of Peterborough Power Station

On the 20 December 2007, the company acquired 100% of the share capital of Centrica Leasing (PB) Limited. Following which, the company entered into a sale and finance lease back arrangement with Centrica Leasing (PB) Limited, selling all of its moveable plant & machinery and essential fixed plant & buildings with a market value of £104m, the proceeds of which were used to settle the intra group debt held with Centrica Overseas Holdings Limited. The remaining non-essential fixed plant and buildings were sold to Centrica Leasing (PB) Limited and have been leased back under an operating lease.

There are no further 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.

Financial results

The results of the company are set out on page 6

During the year the company made a profit on ordinary activities of £9,431,000 (2006 £10,429,000)

Dividends

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

Principal risks and uncertainties and financial risk management

The principal 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 the group which does not form part of this report.

The directors 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.

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 or exposure to credit risk arises in the normal course of operations as a result of the potential for a customer defaulting on their payable balance. In the case of business customers credit risk is managed by checking a company's creditworthiness and financial strength both before commencing to trade and during a business relationship. For residential customers, creditworthiness is ascertained normally before commencing to trade by reviewing an appropriate mix of internal and external information. 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.

Centrica PB Limited

Directors' report for the year ended 31 December 2007

(continued)

The company does not take part in hedging of any kind

Key performance indicators

The directors of the group 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 page 14 of the annual report and accounts of the group which does not form part of this report.

Future developments

There are no plans to change the nature of activities in the foreseeable future. A similar trading profile to 2007 is expected in the coming year.

Directors

The directors who held office during the year are given below.

Alan Bennett	(resigned 31 October 2007)
Jonathan Bradley	(resigned 11 March 2008)
Michael Garstang	(resigned 30 June 2008)
Simon Goodwin	(resigned 31 October 2007)
Benedict Wright	(resigned 31 October 2007)
Sarwjit Sambhi	(appointed 11 March 2008)
James Spence	(appointed 31 October 2007)
John Watts	(appointed 31 October 2007)

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 apply for gas and electricity supplies. 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.

Political and charitable donations

The company made no political or charitable donations 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.

Centrica PB Limited

Directors' report for the year ended 31 December 2007

(continued)

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 PB 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 PB Limited

Independent auditors' report to the members of Centrica PB Limited

We have audited the financial statements of Centrica PB 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

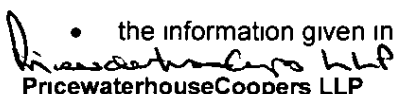
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Hull

31 October 2008

Centrica PB Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	3	25,952	31,115
Cost of sales		(11,405)	(11,648)
Gross profit		14,547	19,467
Distribution costs		(1,604)	(1,483)
Administration expenses		(5,579)	(5,078)
Other income		-	4,056
Operating profit	4	7,364	16,962
Profit on disposal of tangible assets	9	4,485	-
Interest payable and similar charges	7	(6,784)	(6,733)
Profit on ordinary activities before taxation		5,065	10,229
Tax on profit on ordinary activities	8	4,366	200
Profit for the financial year	17	9,431	10,429

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

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

All results relate to continuing operations

Centrica PB Limited
Balance sheet as at 31 December 2007

	Note	2007 £'000	2005 £'000
Fixed assets			
Tangible assets	9	68,037	76,719
Investments	10	500	-
Current assets			
Stock	11	6,643	6,518
Debtors	12	90,612	70,843
Cash at bank and in hand		364	256
		97,619	77,617
Creditors – amounts falling due within one year	13	(12,495)	(2,704)
Net current assets		85,124	74,913
Total assets less current liabilities		153,661	151,632
Creditors – amounts falling due after more than one year	14	(93,006)	(99,500)
Provisions for liabilities and charges	15	(1,124)	(2,032)
Net Assets		59,531	50,100
Capital and reserves			
Called up share capital	16	-	-
Profit and loss reserve	17	59,531	50,100
Total shareholders' funds	18	59,531	50,100

The financial statements on pages 6 to 16 were approved by the board of directors on 30 October 2008 and were signed on its behalf by



James Spence
Director

Centrica PB Limited

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

1 Statement of accounting policies

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

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 year in accordance with the capacity tolling arrangement.

Tangible 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 over the period to 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.

Stocks

Stocks are stated at the lower of cost incurred in bringing each item to its present location and condition and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stocks.

Finance Leases

Assets held under the finance lease arrangements have been capitalised and are included in fixed assets at their fair value at the inception of the lease. The obligations relating to finance leases, net of finance charges in respect of future years, are included as appropriate under creditors due within or after more than one year. The interest element of the lease rental is allocated to accounting years during the lease on an accruals basis. The interest charge is based on the outstanding finance lease creditor.

Deferred taxation

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

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

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

1 Statement of accounting policies (continued)

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

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

Decommissioning provision

Provision is made for the net present value of the estimated cost of decommissioning the power station at the end of its useful life, based on price levels and technology at the balance sheet date.

Changes in these estimates and changes to the discount rates are dealt with prospectively. When this provision gives access to future economic benefits, a decommissioning asset is recognised and amortised on a straight-line basis over the useful life of the facility. The unwinding of the discount on the provision is included in the profit and loss account within interest expense.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2 Cash flow statements and related party disclosures

The company is a wholly-owned subsidiary of GB Gas Holdings Limited and is included in the consolidated financial statements of Centrica plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of financial reporting standard 1 "Cash Flow Statements". The Company is also exempt under the terms of financial reporting standard 8 "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

3 Segmental reporting

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

4 Operating profit

	2007 £'000	2006 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets (note 9)	6,053	5,954
Services provided by the company's auditor		
Fees payable for the audit	6	8
Other income – carbon emission credits	-	(4,056)

Centrica PB Limited

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

Auditors' remuneration relates to fees for the audit of the UK GAAP statutory accounts of Centrica PB Limited 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

5 Directors' emoluments

The directors received no emoluments as they are employed by other Centrica group companies (2006 £nil)

All of the directors 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 £2,190,000 (2006 £1,974,000) were incurred during the year in respect of an average of 39 (2006 39) staff providing services to Centrica PB Limited under an employee services agreement with a Centrica group company

7 Interest payable and similar charges

	2007 £'000	2006 £'000
Decommissioning provision notional interest	24	42
Other interest payable to group undertakings	6,559	6,691
Finance lease charges	201	-
	6,784	6,733

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

8 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
Current tax:		
UK corporation tax on the profit for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	(4,591)	(203)
Effect of change in deferred tax rate	225	-
Adjustments in respect of prior years	-	3
Total deferred tax	(4,366)	(200)
Tax on profit on ordinary activities	(4,366)	(200)

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	5,065	10,229
Profit on ordinary activities multiplied by standard rate in the UK of 30% (2006 30%)	1,520	3,069
Effects of		
Expenses not deductible for tax purposes	-	1,118
Profit on sale of non qualifying assets	(1,345)	-
Depreciation on non qualifying assets	17	-
Timing differences not recognised	7	25
Capital allowances (less than)/in excess of depreciation	(6,018)	204
Group relief for nil consideration	4,565	(5,335)
UK UK transfer pricing adjustments	1,254	919
Current tax charge for the year	-	-

The UK corporation tax rate reduces to 28% from 1 April 2008

Centrica PB Limited

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

9 Tangible fixed assets

	Power station assets	Turbine Components, other plant and machinery	Decommissioning asset	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2007	85,235	19,841	771	105,847
Additions	802	413	284	1,499
Disposals to group undertakings	(4,791)	(33)	-	(4,824)
At 31 December 2007	81,246	20,221	1,055	102,522
Accumulated depreciation				
At 1 January 2007	19,700	9,348	80	29,128
Charge for the year	4,714	1,282	57	6,053
Disposals to group undertakings	(663)	(33)	-	(696)
At 31 December 2007	23,751	10,597	137	34,485
Net book amount				
At 31 December 2007	57,495	9,624	918	68,037
At 31 December 2006	65,535	10,493	691	76,719

The net book value of tangible assets held under finance lease as at 31 December 2007 was £67,119,000 (2006 £nil) This represents certain items of plant and machinery sold and leased back during the year

Non-essential fixed plant and buildings to the value of £4,128,000 was sold to Centrica Leasing (PB) Limited, its subsidiary undertaking resulting in a profit on disposal of £4,485,000

10 Investments

On 20 December 2007 the company acquired 100% of the issued share capital of Centrica Leasing (PB) Limited, a company registered in England and Wales for a total consideration of £500,002

Consolidated accounts are not required because Centrica PB Limited and Centrica Leasing (PB) Limited have been consolidated in the accounts of Centrica plc accounts which is a UK registered company for which accounts are publicly available

11 Stock

	2007 £'000	2006 £'000
Consumables	6,643	6,518

Centrica PB Limited

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

12 Debtors

	2007 £'000	2006 £'000
Amounts owed by fellow group undertakings	87,063	70,345
Deferred tax (see note 15)	3,150	-
Other debtors	232	312
Prepayments and accrued income	167	186
	90,612	70,843

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

13 Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	798	217
Amounts owed to group undertakings	15	1,343
Accruals and deferred income	1,073	1,122
Obligations under intra-group finance lease	10,582	-
Other creditors	27	22
	12,495	2,704

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

14 Creditors - amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	-	99,500
Obligations under intra-group finance lease	93,006	-

Amounts owed to group undertakings in 2006 represented an unsecured loan which was repaid in full on 21 December 2007

Maturity of financial liabilities	2007 £'000	2006 £'000
Less than one year	10,582	-
Between one and five years	49,667	99,500
Over five years	43,339	-
	103,588	99,500

The finance lease obligations represent amounts owing to Centrica Leasing PB Limited, its subsidiary undertaking, relating to a 7 5 year and a 20 year finance lease

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

15 Provisions for liabilities and charges

	Deferred taxation £'000	Decommissioning provision £'000	Total £'000
At 1 January 2007	1,216	816	2,032
Additions and revisions	-	284	284
(Credited)/ charged to the profit and loss account	(4,366)	24	(4,342)
Transfer to other debtors	3,150	-	3,150
At 31 December 2007	-	1,124	1,124

The decommissioning provision represents the future expected costs of decommissioning the station at the end of its useful economic life, discounted to its present value (note 1)

Deferred taxation

	As at 1 January 2007 £'000	Profit and loss (credit)/charge £'000	As at 31 December 2007 £'000
Deferred corporation tax			
- accelerated capital allowances	1,216	(4,309)	(3,093)
- other timing differences	-	(57)	(57)
	<u>1,216</u>	<u>(4,366)</u>	<u>(3,150)</u>

Deferred corporation tax (asset)/provision at 28% (31 December 2006 30%) is analysed as follows

	Provided		Unprovided	
	This Period £'000	Last Period £'000	This Period £'000	Last Period £'000
Deferred corporation tax				
- accelerated capital allowances	(3,093)	1,216	-	-
- other timing differences	(57)	-	-	-
	<u>(3,150)</u>	<u>1,216</u>	<u>-</u>	<u>-</u>

The 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%.

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

16 Called up share capital

	2007	2006
	£'000	£'000
Authorised		
150,000,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
Allotted and fully paid		
2 ordinary shares of £1 each (2006 2)	<u>-</u>	<u>-</u>

17 Profit and loss reserve

	2007
	£'000
At 1 January 2007	50,100
Retained profit for the year	9,431
At 31 December 2007	<u>59,531</u>

18 Reconciliation of movements in shareholders' funds

	2007	2006
	£'000	£'000
Profit for the financial year	9,431	10,429
Opening shareholders' funds	50,100	39,671
Closing shareholders' funds	<u>59,531</u>	<u>50,100</u>

19 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 £269,000 (2006 £378,000).

20 Financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases expiring as follows

	2007	2006
	£'000	£'000
After five years	<u>498</u>	<u>-</u>

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

21 Capital and other commitments

Capital expenditure

Contracted future capital expenditure as at 31 December 2007 was £316,000 (2006 £543,000)

22 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