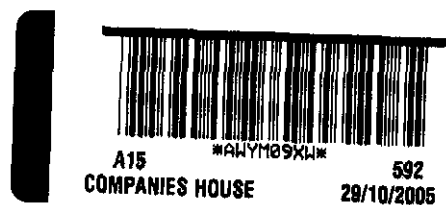


Centrica Generation Limited

Annual report

For the period ended 31 December 2004

Registered Number: 5006144



Centrica Generation Limited

Annual report for the period ended 31 December 2004

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Centrica Generation Limited

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Directors' report for the period ended 31 December 2004

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

Principal activities

The principal activity of the company is the operation of a 652MW generating station at Killingholme, North Lincs.

Review of business and future developments

The company was incorporated on the 5th January 2004. The acquisition of the business and assets of the Killingholme Power Station was completed on the 1st July 2004. The Company commenced trading on 1 July 2004 and during the period the Company continued the operation of Killingholme Power Station. There are no plans to change the nature of the activities in the foreseeable future.

Trading for the year is in line with directors' expectation and a similar trading profile is expected in the coming year.

Results and dividends

The profit on ordinary activities after taxation for the period ended 31 December 2004 is £8,776,000. The directors do not recommend the payment of a dividend.

Directors

The following served as directors during the period:

	Date of Appointment	Date of Resignation
Alan Bennett	13 th July 2004	
Phillip Bentley	17 th May 2004	13 th July 2004
Jonathan Bradley	13 th July 2004	
Ian Grant Dawson	17 th May 2004	13 th July 2004
Michael Garstang	13 th July 2004	
Simon Goodwin	13 th July 2004	
Amanda King	13 th July 2004	
RM Nominees Limited	5 th January 204	17 th May 2004
Richard Sarsfield-Hall	10 th June 2004	13 th July 2004
Jacob Ulrich	17 th May 2004	13 th July 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 period end are as follows:

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

Beneficial interests in ordinary shares

	As at 31 December 2004	At date of appointment
Michael Garstang	-	246
Alan Bennett	2,077	1,834
Amanda King	1,380	1,150
Simon Goodwin	5,530	1,755
Jonathan Bradley	123,658	113,745

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

Centrica Sharesave scheme

	As at 31 December 2004	Lapsed during the period	Exercised during the period	Granted during The period	At date of appointment
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 were granted under the terms of the scheme in April 2004 at an option price of 182.6 pence per share respectively.

Centrica Executive Share Option Scheme

	As at 31 December 2004	Exercised during the period	Granted during the period	At date of appointment
Michael Garstang	-	-	-	-
Alan Bennett	169,298	-	-	169,298
Amanda King	-	-	-	-
Simon Goodwin	-	-	-	-
Jonathan Bradley	141,689	-	-	141,689

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

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

	As at 31 December 2004	Lapsed during the period	Exercised during the period	Granted during the period	At date of appointment
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		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.

Centrica Restructured Executive Share Option Scheme

	As at 31 December 2004	Lapsed during the period	Exercised during the period	Granted during the period	At date of appointment
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 period 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 period 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 period 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 period.

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

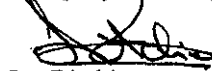
The Company aims to pay all of its creditors (of which none were trade creditors) promptly within the agreed contract terms.

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 Pricewaterhouse Coopers 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 period 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 Generation Limited

We have audited the revised financial statements which comprise the profit & 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.

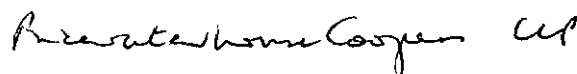
Basis of opinion

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 31st December 2004, and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hull

28 October 2005

Profit and loss account for the period ended 31 December 2004

	Notes	2004 £'000
Turnover	3	22,929
Cost of sales		(8,316)
Operating profit		14,613
Distribution costs		(2,146)
Administration Expenses		(2,870)
Other Operating income		-
Operating Profit	4	9,597
Interest payable and similar charges		-
Profit on ordinary activities before taxation		9,597
Tax on profit on ordinary activities	7	(821)
Profit on ordinary activities after taxation		8,776
Dividends		-
Retained profit for the period	15	8,776

The profit and loss account covers the period from 5th January 2004 to 31 December 2004. The company commenced trading on 1 July 2004.

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 the acquisition during the year and therefore reflect continuing operations.

The notes on pages 9 to 15 form part of these financial statements.

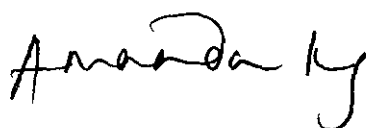
Centrica Generation Limited

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Balance sheet as at 31 December 2004

		2004
	Notes	£'000
Fixed Assets		
Tangible Assets	8	136,326
Current assets		
Stock	9	2,969
Debtors	10	14,869
Cash		-
		17,838
Creditors – amounts falling due within one year	11	(3,172)
Net current assets		14,666
Total assets less current liabilities		150,992
Creditors – amounts falling due after more than one year	12	(141,395)
Provisions for liabilities and charges	13	(821)
Net assets		8,776
Capital and reserves		
Called-up share capital	15	-
Profit and loss account	16	8,776
Equity shareholder funds	17	8,776

The financial statements on pages 7 to 15 were approved by the Board of Directors on 26th October 2005 and were signed on its behalf by:



Director

The notes on pages 9 to 15 form part of these financial statements.

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

1 Statement of accounting policies

Basis of accounting and going concern

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.

Stocks

Stocks are stated at the lower of cost incurred in bringing each item to its present location and condition and net realisable value.

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.

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

4 Operating Profit

	2004 (6 months) £'000
<hr/> Operating profit is stated after charging:	
<hr/> Depreciation of tangible fixed assets	
- owned assets	4,649
Auditors' fees	35
<hr/>	

5 Directors' emoluments

The directors received no emoluments during the period as they are employed by other 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, as all employees of Killingholme power station were transferred to a Centrica group company on acquisition. Costs totalling £809,000 were incurred during the period in respect of an average of 53 staff providing services to Centrica Generation Ltd under an employee services agreement with a Centrica group company.

All employees have also been transferred to a Centrica pension scheme, and the Killingholme scheme in place prior to acquisition, has been wound up.

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

7 Tax on profit on ordinary activities

	2004 (6 months) £'000
The tax charge comprises :	
United Kingdom corporation tax at 30% (2003: 30%) based on the profit/(loss) for the period	
Current tax	-
Deferred tax - origination and reversal of timing differences	821
Total tax on profit on ordinary activities	821

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 (6 months) £'000
Profit on ordinary activities before tax	9,597
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	2,879
Effects of :	
Capital allowances in excess of depreciation	(821)
UK:UK transfer pricing adjustments	(2,058)
Current tax charge for the period	-

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

8 Fixed assets

	Power Station assets £'000	Turbine Components, other plant and machinery £'000	Total £'000
Cost			
At incorporation	-	-	-
Additions (including acquisition – note 13)	129,418	11,557	140,975
At 31 December 2004	129,418	11,557	140,975
Accumulated Depreciation			
At incorporation	-	-	-
Charge for the period	3,236	1,413	4,649
At 31 December 2004	3,236	1,413	4,649
Net book value			
At 31 December 2004	126,182	10,144	136,326
At incorporation	-	-	-

9 Stock

	2004 £'000
Consumable spares	2,969

10 Debtors

	2004 £'000
VAT recoverable	240
Amount due from group undertaking	14,497
Other debtors	132
Other debtors	14,869

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

11 Creditors (amounts falling due within one year)

	2004 £'000
Trade Creditors	393
Other creditors	2,396
Amounts owing to group undertaking	364
Bank overdraft	19
	3,172

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

12 Creditors - amounts falling due after more than one year

	2004 £'000
Amounts owed to group undertakings	141,395

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The group undertaking concerned has indicated that it will not seek repayment within 12 months of the balance sheet date.

13 Provisions for liabilities and charges

	2004 £'000
Deferred Tax	
At acquisition	-
Profit and loss charge for the year	821
At 31 December	821

Deferred taxation relates to accelerated capital allowances and has been provided at 30%.

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

14 Acquisition

The company acquired the business and assets of the Killingholme power station from Killingholme Power Limited. Exchange of contracts took place on 8 June 2004 and completion occurred on 1 July 2004.

The fair values of the assets acquired were as follows:

	£'000
Fair Value:	
Tangible fixed assets	139,713
Stock	3,426
Debtors	1,555
Creditors	(4,015)
Pension liability	(950)
Net assets acquired	139,729
Consideration:	
Cash	139,540
Transaction costs	189
Consideration	139,729
Goodwill	-

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

	2004 £'000
Authorised	
1,000 ordinary shares of £1 each	1,000
Issued, allotted and fully paid	
2 ordinary shares of £1 each issued on incorporation	-

16 Profit and loss account

	£'000
At incorporation	-
Profit for the period	8,776
At 31 December 2004	8,776

17 Reconciliation of movements in shareholder funds

	2004
Profit for the period	8,776
Shareholder funds on incorporation	-
Shareholder funds at 31 December	8,776

18 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 £56,363.

19 Commitments and contingent liabilities**Capital expenditure**

Contracted future capital expenditure as at 31 December 2004 was £19,000.

20 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.