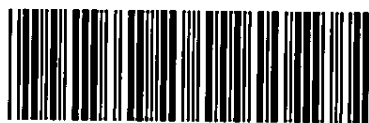


Registered Number: 05006144

Centrica KPS Limited

Annual report and Financial Statements
For the year ended 31 December 2009

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Centrica KPS Limited

Annual report and Financial Statements for the year ended 31 December 2009

Contents

Directors' report for the year ended 31 December 2009	1
Independent auditors' report to the members of Centrica KPS Limited	5
Profit and loss account for the year ended 31 December 2009	6
Balance sheet as at 31 December 2009	7
Notes to the financial statements for the year ended 31 December 2009	8

Centrica KPS Limited

Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements of Centrica KPS Limited ("the Company") for the year ended 31 December 2009

Principal activities

The Company's principal activity during the year was the operation of a 652MW generating station at Killingholme, North Lincs ("Killingholme Power Station")

Business review

During the year the Company continued the operation of Killingholme Power Station. The Company operates under a capacity tolling arrangement with British Gas Trading Limited which is responsible for energy procurement for the Centrica plc group ("the Group")

Trading for the year was in line with directors' expectations

Following a review of the value in use of the power station asset, an impairment charge of £24,300,000 was made (note 9)

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 21 December 2009 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

Future developments

There are no plans to change the nature of activities in the foreseeable future. A similar trading profile to 2009 is expected in the coming year.

Principal risks and uncertainties and financial risk management

The principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The principal risks and uncertainties of the Group are set out on pages 29-34 of the 2009 annual report and accounts of the Group which does not form part of this report.

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 pages 8-9 of the 2009 annual report and accounts of the Group which does not form part of this report.

Results and dividends

The results of the Company are set out on page 6.

During the year the Company made a loss of £8,935,000, which includes the impairment cost of £24,300,000 (2008 profit of £7,892,000). No dividends were paid on the ordinary shares for the year ended 31 December 2009 (2008 £nil). The Directors do not recommend the payment of a final dividend (2008 £nil).

Financial position

The financial position of the Company is presented in the balance sheet on page 7. Shareholders' funds at 31 December 2009 were £38,335,000 (2008 £47,270,000).

Centrica KPS Limited

Directors' report for the year ended 31 December 2009 (continued)

Directors

The following served as directors during the year and up to the date of signing of this report

Graeme Collinson (appointed 13 February 2009)

Sarwjit Sambhi

James Spence

John Watts

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

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

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. The insurance does not provide cover in the event that the director is proved to have acted fraudulently.

Centrica KPS Limited

Directors' report for the year ended 31 December 2009 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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). Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 these 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, and
- 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Centrica KPS Limited

Directors' report for the year ended 31 December 2009 (continued)

Disclosure of information to auditors

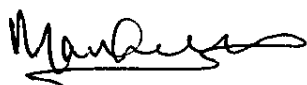
In accordance with Section 418(2) of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved, that

- (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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office

This report was approved by the Board on 11 June 2010



For and on behalf of
Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No 05006144

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica KPS Limited

Independent auditors' report to the members of Centrica KPS Limited

We have audited the financial statements of Centrica KPS Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Derek Coe (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hull
11 June 2010

Centrica KPS Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	3	40,628	43,564
Cost of sales		(28,678)	(29,967)
Gross profit		11,950	13,597
Administration expenses - including exceptional item		(28,904)	(5,346)
Operating profit before exceptional item	4	7,346	8,251
Exceptional operating item - impairment	4	(24,300)	-
Operating (loss) / profit		(16,954)	8,251
Interest payable and similar charges	7	(29)	(31)
(Loss) / profit on ordinary activities before taxation		(16,983)	8,220
Tax on (loss) / profit on ordinary activities	8	8,048	(328)
(Loss) / profit for the financial year	17	(8,935)	7,892

The Company has no recognised gains or losses other than the (loss) / profit above and therefore no separate statement of total recognised gains and losses has been presented

There are no differences between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the year stated above and their historical cost equivalents

All results relate to continuing operations

The notes on pages 8 to 16 form part of these financial statements

Centrica KPS Limited

Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	9	95,374	126,885
Current assets			
Stock	10	4,716	4,584
Debtors	11	96,511	91,179
Cash		360	181
		101,587	95,944
Creditors – amounts falling due within one year	12	(5,812)	(14,509)
Net current assets		95,775	81,435
Total assets less current liabilities		191,149	208,320
Creditors – amounts falling due after more than one year	13	(141,395)	(141,395)
Provisions for liabilities	14	(11,419)	(19,655)
Net assets		38,335	47,270
Capital and reserves			
Called up share capital	16	-	-
Profit and loss reserve	17	38,335	47,270
Total shareholders' funds	18	38,335	47,270

The notes on pages 8 to 16 form part of these financial statements

The financial statements on pages 6 to 16 were approved and authorised for issue by the Board of Directors on 11 June 2010 and were signed on its behalf by



James Spence
Director

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009

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 2006 and the applicable United Kingdom 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 assets

Tangible assets are stated at historic cost less accumulated depreciation or impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 and decommissioning asset: 20 years
- Turbine components, 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 is 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. Cost is determined on a first-in first-out basis.

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.

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.

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Statement of accounting policies (continued)

Deferred taxation (continued)

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

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.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

EU Emissions Trading Scheme

Granted CO₂ emissions allowances received in a period are initially recognised at nominal value (nil value). A liability is recognised when the level of emissions exceeds the level of allowances granted. As part of the tolling arrangement, the tollee must provide the company with sufficient allowances to meet any shortfall on the settlement date. The liability is measured at the cost of allowances purchased by the tollee, up to the level of purchased allowances physically held and then at the market price of allowances ruling at the balance sheet date. A matching receivable from the tollee is recognised at the same time.

2 Cash flow statements and related party disclosures

The Company is a wholly-owned subsidiary of Centrica Delta 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 (revised 1996) "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 Turnover

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

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

4 Operating (loss) / profit

	2009 £'000	2008 £'000
Operating (loss) / profit is stated after charging:		
Depreciation of owned tangible assets (note 9)	12,087	14,514
Exceptional item - impairment of tangible assets (note 9)	24,300	-
Operating lease charges – plant and machinery	24	31
Services provided by the company's auditor:		
Fees payable for the audit	8	8

Auditors' remuneration totalling £8,000 (2008 £8,000) relates to fees for the audit of the UK GAAP statutory accounts of Centrica KPS Limited and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of Centrica KPS Limited. Of the auditors' remuneration £nil (2008 £nil) was borne by Centrica plc.

5 Directors' emoluments

The directors received no emoluments as they are employed by other Centrica group companies (2008 £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 (2008 nil). However, costs amounting to £3,842,000 (2008 £2,740,000) were incurred during the year in respect of an average of 42 (2008 45) staff providing services to Centrica KPS Limited under an employee services agreement with a Centrica group company.

7 Interest payable and similar charges

	2009 £'000	2008 £'000
Decommissioning provision notional interest	29	31

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

8 Tax on (loss) / profit on ordinary activities

	2009 £'000	2008 £'000
Current tax		
UK corporation tax on the profit for the year	-	-
Deferred tax		
Change in tax rate - impact on deferred tax liabilities	-	(5)
Origination and reversal of timing differences	(8,048)	333
Tax on (loss) / profit on ordinary activities	(8,048)	328

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss) / profit before tax are as follows

	2009 £'000	2008 £'000
(Loss) / profit on ordinary activities before taxation	(16,983)	8,220
(Loss) / profit on ordinary activities multiplied by standard rate in the UK of 28% (2008 28.5%)	(4,755)	2,343
Effects of		
Expenses not deductible for tax purposes	2	60
Capital allowances in excess of depreciation	5,485	(338)
Other permanent differences	915	(75)
Other timing differences	28	32
Group relief surrendered for nil consideration	(1,363)	(816)
UK UK transfer pricing	(312)	(1,206)
Current tax charge for the year	-	-

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly the Company's profits for 2008 were taxed at an effective rate of 28.5% and the profits for 2009 are taxed at 28%.

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

9 Tangible assets

	Power station assets £'000	Turbine components, other plant and machinery £'000	Decommissioning asset £'000	Total £'000
Cost or valuation				
At 1 January 2009	136,637	40,032	1,593	178,262
Additions	1,486	795	(217)	2,064
Transfers to/from Group undertakings	-	3,529	-	3,529
At 31 December 2009	138,123	44,356	1,376	183,855
Accumulated depreciation				
At 1 January 2009	32,445	18,668	264	51,377
Charge for the year	7,076	4,941	70	12,087
Impairment	24,300	-	-	24,300
Transfers to/from Group undertakings	-	717	-	717
At 31 December 2009	63,821	24,326	334	88,481
Net book amount				
At 31 December 2009	74,302	20,030	1,042	95,374
At 31 December 2008	104,192	21,364	1,329	126,885

Following a review of the value in use of the power station asset, an impairment charge of £24,300,000 has been made. In arriving at the value in use, a pre-tax discount rate of 7.6% was applied to the future cash flows of the power station.

During the current year assets to the value of £2,854,000 were purchased at book value from Centrica SHB Limited. Assets to the value of £42,000 were sold at book value to Centrica RPS Limited, resulting in a profit on disposal of £nil.

10 Stock

	2009 £'000	2008 £'000
Consumables	4,716	4,584

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Debtors

	2009 £'000	2008 £'000
Amounts owed by fellow Group undertakings	94,880	90,704
VAT	192	84
Other debtors	87	156
Prepayments and accrued income	1,352	235
	<u>96,511</u>	<u>91,179</u>

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

12 Creditors - amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	872	892
Emissions obligation	4,169	12,118
Other creditors	771	1,499
	<u>5,812</u>	<u>14,509</u>

13 Creditors - amounts falling due after more than one year

	2009 £'000	2008 £'000
Amounts owed to Group undertakings	<u>141,395</u>	<u>141,395</u>

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

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

14 Provisions for liabilities

	Deferred taxation £'000	Decommissioning provision £'000	Total £'000
At 1 January 2009	17,935	1,720	19,655
Revisions and additions	-	(217)	(217)
Charged to the profit and loss account	(8,048)	29	(8,019)
At 31 December 2009	9,887	1,532	11,419

Deferred taxation

	As at 1 January 2009 £'000	Profit and loss charge/(credit) £'000	As at 31 December 2009 £'000
Deferred corporation tax			
- accelerated capital allowances	18,045	(8,020)	10,025
- other timing differences	(110)	(28)	(138)
	17,935	(8,048)	9,887

Deferred corporation tax provision at 28% (2007 28%) is analysed as follows

	Provided		Unprovided	
	This period £'000	Last period £'000	This period £'000	Last period £'000
Deferred corporation tax				
- accelerated capital allowances	10,025	18,045	-	-
- other timing differences	(138)	(110)	-	-
	9,887	17,935	-	-

15 Financial instruments

In accordance with Statutory Instrument 2008/410 of the Companies Act 2006, the fair values of the Company's financial instruments are analysed below

	2009 £'000	2008 £'000
Derivative financial instruments		
Foreign exchange derivatives – assets	81	-
Foreign exchange derivatives – liabilities	(169)	-

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Called up share capital

	2009 £	2008 £
Authorised		
Nil ordinary shares of £1 each (2008: 1,000 ordinary shares of £1 each)	-	1,000
Allotted and fully paid		
2 ordinary shares of £1 each (2008: 2 ordinary shares of £1 each)	2	2

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 21 December 2009 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

17 Profit and loss reserve

	£'000
At 1 January 2009	47,270
Loss for the year	(8,935)
At 31 December 2009	38,335

18 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
(Loss) / profit for the financial year	(8,935)	7,892
Opening shareholders' funds	47,270	39,378
Closing shareholders' funds	38,335	47,270

Centrica KPS Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

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 £1,350,000 (2008 £199,000).

20 Financial commitments

At 31 December 2009 the Company had annual commitments under non-cancellable operating leases expiring as follows

	Plant and machinery	
	2009	2008
	£'000	£'000
Within one year	4	1
Within two to five years	15	20
After five years	5	5

21 Capital and other commitments

Contracted future capital expenditure as at 31 December 2009 was £12,741,000 (2008 £111,000)

22 Ultimate parent undertaking

The Company's immediate parent undertaking is Centrica Delta Limited, a company registered in the Isle of Man.

The Company's 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 www.centrica.com