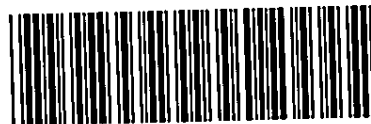


Centrica Leasing (KL) Limited  
(formerly Centrica (LOW) Limited)

Annual report  
For the year ended 31 December 2007

Registered Number 4910816

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# **Centrica Leasing (KL) Limited**

## **Annual report for the year ended 31 December 2007**

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# **Centrica Leasing (KL) Limited**

## **Directors' report for the year ended 31 December 2007**

The directors present their report and the audited financial statements of Centrica Leasing (KL) Limited for the year ended 31 December 2007

### **Change of name**

The name of the company was changed from Centrica (LOW) Limited to Centrica Leasing (KL) Limited by special resolution on 28 November 2007

### **Principal activities**

The company's principal activity during the year was the leasing of the 325MW gas fired combined cycle gas turbine generating station at Kings Lynn, Norfolk to Centrica KL Limited

### **Business review**

Centrica Leasing (KL) Limited is a wholly owned subsidiary of Centrica KL Limited

On the 20 December 2007, the company entered into an intra-group sale and finance leaseback transaction over a power station and entered into an intra group sale and operating leaseback transaction over assets peripheral to the running of a power station

There are no further plans to change the nature of activities in the foreseeable future

### **Financial results**

The results of the company are set out on page 6

During the year the company made an loss on ordinary activities of £5,000 (2006 £nil)

### **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 page 25-27 of the annual report and accounts of the group which does not form part of this report

The directors of the group 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

# **Centrica Leasing (KL) Limited**

## **Directors' report for the year ended 31 December 2007 (continued)**

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.

### **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.

Centrica Directors Limited	(resigned 21 November 2007)
Grant Dawson	(appointed 21 November 2007)
Paul Hedley	(appointed 21 November 2007)
Charlotte Redcliffe	(appointed 21 November 2007)
Lynne Turner	(resigned 18 March 2008)

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.

# **Centrica Leasing (KL) Limited**

## **Directors' report for the year ended 31 December 2007 (continued)**

### **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

### **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

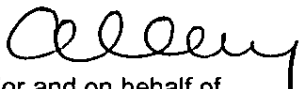
# **Centrica Leasing (KL) Limited**

## **Directors' report for the year ended 31 December 2007 (continued)**

### **Auditors**

PricewaterhouseCoopers LLP were appointed as auditors of the company on 16 April 2008. 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 Leasing (KL) Limited

## Independent auditors' report to the members of Centrica KL Limited

We have audited the financial statements of Centrica KL Leasing 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 loss 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 Leasing (KL) Limited

## Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover		12	-
Cost of sales		(6)	-
<b>Gross profit</b>		<u>6</u>	-
Administrative expenses		-	-
<b>Operating profit</b>	3	<u>6</u>	-
Interest receivable and similar income	6	1	-
Interest payable and similar charges	7	(12)	-
<b>Loss on ordinary activities before taxation</b>		<u>(5)</u>	-
Tax on loss on ordinary activities	8	-	-
<b>Loss for the financial year</b>	15	<u><u>(5)</u></u>	-

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

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

All results relate to continuing operations




# Centrica Leasing (KL) Limited

## Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible assets	9	6,539	-
<b>Current assets</b>			
Debtors - amounts due within one year	10	172	-
Debtors - amounts due after more than one year	11	606	-
		<u>778</u>	-
<b>Creditors – amounts falling due within one year</b>	12	(89)	-
<b>Net current liabilities</b>		<u>689</u>	-
<b>Total assets less current liabilities</b>		7,227	-
<b>Creditors – amounts due falling after more than one year</b>	13		
<b>Provisions for liabilities and charges</b>	14	-	-
<b>Net Liabilities</b>		<u>7,227</u>	-
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss reserve	16	(5)	-
<b>Total shareholders' funds - deficit</b>	17	<u>(5)</u>	-

The financial statements on pages 6 to 14 were approved by the board of directors on and were signed on 30 October 2008 its behalf by



Paul Hedley  
Director

# Centrica Leasing (KL) 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.

#### **Tangible Fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on all fixed assets, other than freehold land. 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
------------------------	----------

#### **Equipment leased to customers**

Equipment leased to customers under finance leases is de-recognised. Debtors under finance leases represent outstanding amounts due under these arrangements less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment. Equipment leased to customers under operating leases is capitalised and depreciated over their remaining useful economic life. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

#### **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.

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.

# Centrica Leasing (KL) Limited

## Notes to the financial statements for the year ended 31 December 2007 (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 "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 Operating profit

	2007 £'000	2006 £'000
Operating profit is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets (note 9)	6	-
Services provided by the company's auditor		
Fees payable for the audit	-	-

The audit fee for the year was borne by another group company and not recharged.

### 4 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.

### 5 Employee information

The Company has no direct employees (2006: nil).

### 6 Interest receivable and similar income

	2007 £'000	2006 £'000
Finance lease interest receivable	1	-
	<u>1</u>	<u>-</u>

### 7 Interest payable and similar charges

	2007 £'000	2006 £'000
Loan interest payable	(12)	-
	<u>(12)</u>	<u>-</u>

# Centrica Leasing (KL) 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
<b>Current tax</b>		
UK corporation tax on the profit for the year	-	-
<b>Deferred tax.</b>		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior years	-	-
<b>Tax on profit on ordinary activities</b>	-	-

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
<b>Loss on ordinary activities before tax</b>	(5)	-
Profit on ordinary activities multiplied by standard rate in the UK of 30% (2006 30%)	(2)	-
Effects of		
Expenses not deductible for tax purposes	1	-
Capital allowances in excess of depreciation	-	-
Group relief for nil consideration	1	-
<b>Current tax charge for the year</b>	-	-

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

# Centrica Leasing (KL) Limited

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

### 9 Tangible fixed assets

	Power station assets £'000	Total £'000
<b>Cost or valuation</b>		
At 1 January 2007	-	-
Additions from group undertaking	6,545	6,545
<b>At 31 December 2007</b>	<b>6,545</b>	<b>6,545</b>
<b>Accumulated depreciation</b>		
At 1 January 2007	-	-
Charge for the year	6	6
<b>At 1 January 2007 and 31 December 2007</b>	<b>6</b>	<b>6</b>
<b>Net book amount</b>		
<b>At 31 December 2007</b>	<b>6,539</b>	<b>6,539</b>
At 31 December 2006	-	-

### 10 Debtors - amounts due within one year

	2007 £'000	2006 £'000
Net investment in intra-group finance leases	160	-
Amounts owed by group undertakings	12	-
	<b>172</b>	<b>-</b>

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

# Centrica Leasing (KL) Limited

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

### 11 Debtors - amounts due after more than one year

	2007 £'000	2006 £'000
Net investment in intra-group finance leases	606	-
	<u>606</u>	<u>-</u>

### 12 Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	7,322	-

Amounts owed to group undertakings are unsecured, subject to interest rates ranging from 5.543% to 6.4425% and repayable over terms of 7.5 years and 20 years

### 13 Creditors - amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	7,233	-

Amounts owed to group undertakings are unsecured, subject to interest rates ranging from 5.543% to 6.4425% and repayable over terms of 7.5 years and 20 years

<b>Maturity of financial liabilities</b>	2007 £'000	2006 £'000
Less than one year	89	-
Between one and five years	466	-
Over five years	6,767	-
	<u>7,322</u>	<u>-</u>

# Centrica Leasing (KL) Limited

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

### 14 Provisions for liabilities and charges

	Deferred taxation £'000	Total £'000
At 1 January 2007	-	-
Additions and revisions	-	-
Charged to the profit and loss account	-	-
<b>At 31 December 2007</b>	<b>-</b>	<b>-</b>

#### Deferred taxation

	As at 1 January 2007 £'000	Profit and loss charge/(credit) £'000	As at 31 December 2007 £'000
Deferred corporation tax			
- accelerated capital allowances	-	-	-
- other timing differences	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>

Deferred corporation tax provision/(asset) 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	-	-	-	-
- other timing differences	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 Leasing (KL) Limited

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

### 15 Called up share capital

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

### 16 Profit and loss reserve

	2007
	£'000
At 1 January 2007	-
Loss for the year	(5)
<b>At 31 December 2007</b>	<b>(5)</b>

### 17 Reconciliation of movements in shareholders' funds

	2007	2006
	£'000	£'000
Loss for the financial year	(5)	-
Opening shareholders' funds	-	-
<b>Closing shareholders' funds - deficit</b>	<b>(5)</b>	<b>-</b>

### 18 Going concern

The directors have considered the application of the going concern basis of accounting and believe that for the foreseeable future the Company will have adequate resources to meet its liabilities as they fall due. In making this assessment the directors of the Company have considered the intentions of the directors of Centrica plc, the ultimate parent undertaking, to provide financial support to the Company in the conduct of its ordinary business operations for a period of 12 months from the date of approval of these financial statements.

### 19 Ultimate parent undertaking

The immediate parent undertaking is Centrica KL 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.