

# **Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

## **Directors' report**

The Directors present their report and the audited financial statements of Centrica Onshore Processing UK Limited (the "Company") for the period ended 31 December 2001.

## **Principal activities**

The principal activity of the Company is the processing of gas in the United Kingdom. For the purposes of the Companies Act 1985, this constitutes one class of business.

## **Review of business and future developments**

Dynegy Projects Limited was incorporated on 17 July 2000 and remained dormant until it commenced trading on 28 November 2001. On 30 August 2001 the Company changed its name to Dynegy Onshore Processing UK Limited. Dynegy Onshore Processing UK Limited acquired the processing plant and the existing processing contract from BG International Limited at their purchase price on 28 November 2001.

On the 14 November 2002, the Company was acquired by Centrica Storage Holdings Limited, a 100% subsidiary undertaking of Centrica plc, from Dynegy Europe Limited. The Company was renamed from Dynegy Onshore Processing UK Limited to Centrica Onshore Processing UK Limited.

## **Directors and their interests**

Directors during the period and up to the date of this report were as follows:

	Appointed	Resigned
G Cardone	17 July 2000	21 March 2002
M Chamberlain	26 January 2001	28 November 2001
V McCallion	17 July 2000	26 January 2001
W Tester	17 July 2000	17 July 2000
Y Cohen	26 January 2001	28 November 2001
A G S Geddes	28 November 2001	10 July 2002
N Wakefield	28 November 2001	14 November 2002
D Roth	28 November 2001	8 July 2002
R Doty	28 November 2001	29 July 2002
M G Scrimshaw	10 July 2002	14 November 2002
M Flinn	21 March 2002	14 November 2002
D N Keane	21 March 2002	14 November 2002
J M Boardman	21 March 2002	14 November 2002
J R Oliver	21 March 2002	14 November 2002
Y Cohen	10 July 2002	14 November 2002
A Bennett	14 November 2002	-
G Stoker	14 November 2002	-

None of the above directors have any beneficial interests in the shares of the Company or any other Dynegy Inc group undertaking that require disclosure under the provisions of the Companies Act 1985.

**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Directors' Report (Continued)**

**Directors' liability insurance**

The Company has, through its ultimate parent company, maintained insurance for the directors of the company.

**Review of results and dividend**

The results for the period are set out in the profit and loss account on page 5. The retained profit for the period of £339,000 has been transferred to reserves. No dividends have been paid during the period from incorporation until the date of the approval of the annual report and accounts.

**Policy on the Payment of Creditors**

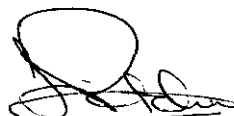
The Company aims to pay all of its creditors promptly. For trade creditors, it is the Company's policy to:

- i) agree the terms of the payment at the start of business with that supplier;
- ii) ensure that suppliers are aware of the terms of payment; and
- iii) pay in accordance with contractual and other legal obligations.

**Auditors**

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the Board

 IAN RITCHIE  
FOR AND ON BEHALF OF  
CENTRICA SECRETARIES LIMITED  
COMPANY SECRETARY  
Date 15th APRIL 2003

**Millstream  
Maidenhead Road  
Windsor  
BERKSHIRE SL4 5GD**

**Statement of Directors' Responsibilities for preparing the financial statements**

The directors are required by the Companies Act 1985 to prepare financial statements for each period which give a true and fair view of the state of affairs of the Company as at the end of the financial 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 consider that in preparing the financial statements on pages 5 to 13 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Independent Auditors' Report

**To the Member of Centrica Onshore Processing UK Limited, (previously Dynegy Onshore Processing UK Limited)**

We have audited the financial statements of Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited) for the period ended 31 December 2001 which comprise the Profit and loss account, Balance sheet, and the related notes numbered 1 to 16. 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 annual report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards are set out in the Directors' Responsibilities Statement.

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 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 in to 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 with the Company is not disclosed.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, 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 affairs of the Company at 31 December 2001 and of the Company's 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  
London

15 April 2003

**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Profit and Loss Account**  
**For the period ended 31 December 2001**

	<b>Notes</b>	<b>Period ended 31 December 2001 £000</b>
<b>Turnover</b>	2	1,290
Operating Costs		(647)
Administration Expenses		(5)
<b>Operating Profit</b>		<u>638</u>
Interest Payable and similar charges	6	<u>(154)</u>
<b>Profit on ordinary activities before taxation</b>	3	484
Taxation	7	<u>(145)</u>
<b>Profit on ordinary activities after taxation</b>		<u>339</u>
<b>Retained profit for the period</b>	13	<u><u>339</u></u>

The results for the period are derived solely from the assets acquired from BG International Limited during the period and relate to continuing operations only.

There are no recognised gains and losses other than those reported in the profit and loss account. There is no difference between the historical cost profits and losses and the results presented.

The notes on pages 7 to 13 form part of these financial statements.

**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Balance Sheet**  
**As at 31 December 2001**

	Notes	2001 £000
<b>Fixed Assets</b>		
Tangible assets	8	42,273
<b>Current Assets</b>		
Debtors	9	4,870
<b>Creditors: amounts falling due within one year</b>	10	<u>(40,360)</u>
<b>Net current liabilities</b>		<u>(35,490)</u>
<b>Total assets less current liabilities</b>		6,783
<b>Provisions for liabilities and charges</b>	11	<u>(6,444)</u>
<b>Net assets</b>		<u>339</u>
<b>Capital and reserves</b>		
Called up share capital	12	-
Profit and loss account	13	<u>339</u>
<b>Equity shareholder's funds</b>	14	<u>339</u>

The financial statements on pages 5 to 13 were approved by the Board of Directors and were signed on its behalf by:

**Garry Stoker**  
**Director**



Date:

15/4/03

The notes on pages 7 to 13 form part of these financial statements

# Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)

## Notes to the Financial Statements

### 1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, and the Companies Act 1985. Financial Reporting Standard (FRS) 18, Accounting policies, and FRS 19, Deferred Tax, were both adopted in 2001.

#### *Exemptions*

The Company has taken advantage of the exemption available under Financial Reporting Standard No.1 (Revised) "Cashflow Statements", and accordingly has not prepared a cashflow statement; and within Financial Reporting Standard No.8 "Related Party Disclosures" from disclosure of transactions with other group companies; as its ultimate parent company prepares financial statements which are publicly available (see note 16) and which include the results of the Company.

#### *Tangible Fixed Assets*

Tangible fixed assets are stated at historic cost less accumulated depreciation and any provision for impairment.

Depreciation is calculated so as to write-off the cost of tangible fixed assets, less their estimated residual values on a straight line basis, over the expected useful economic lives of the assets concerned. The depreciation periods for the principal categories of asset are as follows:

Plant & Machinery	10 years
Decommissioning Assets	Over the remaining life of the processing plant

#### *Decommissioning Costs*

Operators of oil and gas fields on the United Kingdom Continental Shelf are required to remove installations, including related onshore facilities, to the extent considered acceptable to the Department of Trade and Industry.

Provision is made for the net present value of the estimated cost of decommissioning at the end of the producing lives of fields. When this provision gives access to future economic benefits an asset is recognised; otherwise the provision is charged to the Profit and Loss Account. The unwinding of the discount on the provision is reported in the profit and loss account as a financial item and is included in the net interest charge.

#### *Current Taxation*

Current taxation payable is provided on taxable profits at the taxation rates enacted or substantially enacted at the balance sheet date.

**Notes to the Financial Statements (Continued)**

***Deferred Taxation***

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 have occurred at the balance sheet date. Timing differences are differences between the groups 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 profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

**2 Turnover**

Turnover, which excludes value added tax, is stated as amounts invoiced to customers. Turnover relates to UK operations only.

**3 Profit on Ordinary Activities Before Taxation**

Profit on Ordinary Activities Before Taxation is stated after charging:

	<b>Period ended 31 December 2001 £000</b>
Tangible owned fixed assets - depreciation charge for the period	356
Auditors remuneration for:	
Audit services	5
Non audit services	-
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**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Notes to the Financial Statements (Continued)**

**4 Staff Costs**

Centrica Onshore Processing UK Limited, has no employees other than its directors and no staff costs.

**5 Directors' Emoluments**

None of the directors received nor were due remuneration during the period. No directors were members of any company pension schemes.

**6 Interest payable and similar charges**

**Period Ended  
31 December 2001  
£000**

Unwinding of discount on decommissioning	154
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**7 Taxation on Ordinary Activities**

**Period Ended  
31 December 2001**

The tax charge comprises:	£000
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**Current tax**

UK Corporation tax	44
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**Deferred tax**

Timing differences (note 11)	101
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	<u>145</u>
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There are no other differences between the tax charge and the charge calculated using the standard rate of United Kingdom corporation tax.

There are no special circumstances affecting the overall tax charge for the current or future period.

**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Notes to the Financial Statements (Continued)**

**8 Tangible Fixed Assets**

	<b>Decommissioning Asset</b>	<b>Plant and Machinery</b>	<b>Total</b>
<b>Cost</b>			
At 17 July 2000	-	-	-
Additions	6,189	36,440	42,629
	<u>6,189</u>	<u>36,440</u>	<u>42,629</u>
As at 31 December 2001	<u>6,189</u>	<u>36,440</u>	<u>42,629</u>
<b>Accumulated Depreciation</b>			
As at 17 July 2000	-	-	-
Depreciation Charge for the period	(52)	(304)	(356)
	<u>(52)</u>	<u>(304)</u>	<u>(356)</u>
As at 31 December 2001	<u>(52)</u>	<u>(304)</u>	<u>(356)</u>
<b>Net Book Value at 31 December 2001</b>	<u>6,137</u>	<u>36,136</u>	<u>42,273</u>
<b>Net Book Value at 17 July 2000</b>	<u>-</u>	<u>-</u>	<u>-</u>

Additions represent the acquisition of the processing facilities at Easington from BG International Limited, and recognition of the associated decommissioning asset (see note 1).

**9 Debtors**

	<b>2001 £000</b>
<i>Amounts falling due within one year:</i>	
Accrued Income	1,290
Amount due from fellow subsidiary	619
Other debtors	2,961
	<u>4,870</u>

**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Notes to the Financial Statements (Continued)**

**10 Creditors: amounts falling due within one year**

	<b>2001 £000</b>
Amount due to parent company	40,000
VAT	210
Corporation Tax	44
Accruals and deferred income	106
	<u>40,360</u>

**11 Provisions for Liabilities and Charges**

	<b>Decommission Costs 2001 £000</b>	<b>Deferred Taxation £000</b>	<b>Total £000</b>
As at 17 July 2000	-	-	-
Tax Charge	-	101	101
Asset Acquisition	6,189	-	6,189
Unwinding of Discount	154	-	154
As at 31 December 2001	<u>6,343</u>	<u>101</u>	<u>6,444</u>

The estimated cost of decommissioning at the end of the life of the processing plant is based on engineering estimates and reports from independent experts. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs is uncertain, but are currently anticipated being 2011.

The deferred taxation provision all relates to timing differences.

**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Notes to the Financial Statements (Continued)**

**12 Called Up Share Capital**

	Number of Shares	As at 31 Dec 2001 £
Ordinary shares of £1 each		
Authorised	100	100
Allotted, called up and fully paid	1	1

On 17 July 2000, one £1 ordinary share was issued at par for cash on incorporation of the Company.

**13 Reserves**

	Profit & Loss Account £000
Balance at 17 July 2000	-
Profit for the period	339
Balance at 31 Dec 2001	339

**14 Reconciliation of movements in Shareholder's Funds**

	£'000
Profit for the financial period	339
Net movement in shareholder's funds for the financial period	339
Shareholder's funds as at 17 July 2000	-
Shareholder's funds as at 31 Dec 2001	339

**15 Subsequent events**

On 28 June 2002, Dynegy Finance Limited ('DFL') became the Company's immediate parent undertaking. At the same time, DFL secured US\$250 million in interim financing which represents an advance on a portion of the proceeds from the expected sale of certain assets owned by Centrica Onshore Processing UK Limited. The interim financing arrangement was secured on the entire share capital of Centrica Onshore Processing UK Limited and other DFL group companies and has a repayment period of 12 months, subject to extension.

**Centrica Onshore Processing UK Limited (previously Dynegy Onshore Processing UK Limited)**

**Notes to the Financial Statements (Continued)**

**15 Subsequent events (Continued)**

Under the terms of the finance arrangement, DFL and its subsidiaries undertook to maintain certain profitability and liquidity ratios. Limitations on cash being used by parent undertakings and for non-core business activities also applied.

On 14 November 2002, the Company was sold by Dynegy Europe Limited to Centrica Storage Holdings Limited, a wholly owned subsidiary of Centrica Plc. Upon the sale of the Company to Centrica Storage Holdings Limited, all encumbrances over the shares of the Company and limitations on the use of cash were removed and amounts due to parent company settled.

**16 Ultimate Parent Company**

Dynegy Inc, a company registered in the United States of America was the ultimate holding company and ultimate controlling party from the date of incorporation until 31 December 2001. Dynegy Inc has 100% interest in the equity share capital of Dynegy Holdings Limited who in turn owns 100% of Dynegy Europe Limited.

Dynegy Inc. and Dynegy Holdings Limited are the parent companies of the largest and smallest groups, respectively, for which consolidated financial statements are drawn up. Copies of the ultimate parent company's consolidated financial statements can be obtained from Dynegy Inc, 1000 Louisiana Street, Suite 5800, Houston, Texas 77002-5050, USA. Copies of the consolidated financial statements of Dynegy Holdings Limited can be obtained from 28 The Quadrant, Richmond, Surrey TW9 1DN.