

Registered Number 04910816

Centrica Leasing (KL) Limited

**Annual report and Financial Statements
For the year ended 31 December 2010**

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Centrica Leasing (KL) Limited

Annual report and Financial Statements for the year ended 31 December 2010

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Centrica Leasing (KL) Limited

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of Centrica Leasing (KL) Limited ("the Company") for the year ended 31 December 2010

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 King's Lynn, Norfolk, known as the King's Lynn Power Station, to Centrica KL Limited

Business review

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

The Company's principal source of income continues to be lease rentals on an intra-group operating lease

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 14 January 2010 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 2010 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 Centrica plc group ("the Group") and are not managed separately. The principal risks of the Group are set out on pages 30-36 of the 2010 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 2010 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 on ordinary activities of £120,000 (2009 £137,000)

No dividends were paid or declared on the ordinary shares for the year ended 31 December 2010 (2009 £nil). The directors do not recommend the payment of a final dividend (2009 £nil)

Financial position

The financial position of the Company is presented in the balance sheet on page 7. The shareholders' deficit at 31 December 2010 was £420,000 (2009 £300,000)

Centrica Leasing (KL) Limited

Directors' report for the year ended 31 December 2010 (continued)

Directors

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

Graeme Collinson	
Thomas Hinton	(appointed 30 July 2010)
Sarwjit Sambhi	(appointed 30 July 2010)
John Watts	(appointed 30 July 2010)
Grant Dawson	(resigned 30 July 2010)
Charlotte Redcliffe	(resigned 30 July 2010)
Lynne Turner	(resigned 30 July 2010)

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

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.

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.

Centrica Leasing (KL) Limited

Directors' report for the year ended 31 December 2010 (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 accounting 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.

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 Leasing (KL) Limited

Directors' report for the year ended 31 December 2010 (continued)

Disclosure of information to auditors

Each of the directors who held office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as directors to make themselves 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 20 June 2011



For and on behalf of
Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No 04910816

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Leasing (KL) Limited

Independent auditors' report to the members of Centrica Leasing (KL) Limited

We have audited the financial statements of Centrica Leasing (KL) Limited for the year ended 31 December 2010 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 2010 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.

Richard Bunter (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hull
20 June 2011

Centrica Leasing (KL) Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	3	420	409
Cost of sales		(173)	(173)
Gross profit		<u>247</u>	<u>236</u>
Administrative expenses		-	-
Operating profit	4	<u>247</u>	<u>236</u>
Interest receivable and similar income	7	39	44
Interest payable and similar charges	8	(398)	(403)
Loss on ordinary activities before taxation		<u>(112)</u>	<u>(123)</u>
Tax on loss on ordinary activities	9	(8)	(14)
Loss for the financial year	17	<u>(120)</u>	<u>(137)</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 differences between the loss on ordinary activities before taxation and the loss for the years stated above and their historical cost equivalents

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

All results relate to continuing operations

Centrica Leasing (KL) Limited

Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	10	6,020	6,193
Current assets			
Debtors - amounts falling due within one year	11	106	89
Debtors - amounts falling due after more than one year	12	426	518
Cash at bank and in hand		149	99
		<u>681</u>	<u>706</u>
Creditors – amounts falling due within one year	13	(105)	(99)
Net current assets		<u>576</u>	<u>607</u>
Total assets less current liabilities		6,596	6,800
Creditors – amounts falling due after more than one year	14	(6,971)	(7,063)
Provisions for liabilities	15	(45)	(37)
Net liabilities		<u>(420)</u>	<u>(300)</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account	17	(420)	(300)
Total shareholders' deficit	18	<u>(420)</u>	<u>(300)</u>

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 20 June 2011 and were signed on its behalf by


Thomas Hinton
Director

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010

1 Statement of accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and the applicable accounting standards. The principal accounting policies are set out below.

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.

Turnover

Turnover is recognised on an accruals basis and relates to operating lease income receivable from the Company's immediate parent undertaking, Centrica KL Limited.

Tangible assets

Tangible assets are stated at historic cost less accumulated depreciation. 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. 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
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Assets acquired from Centrica KL Limited in 2007 are depreciated over their estimated remaining useful economic life.

Equipment leased to Centrica KL Limited

Equipment leased to Centrica KL Limited 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 and is included in turnover.

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Statement of accounting policies (continued)

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 assets 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

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.

2 Cash flow statements and related party disclosures

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

Notes to the financial statements for the year ended 31 December 2010 (continued)

4 Operating profit

	2010 £'000	2009 £'000
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets (note 10)	173	173
Services provided by the Company's auditor:		
Fees payable for the audit	-	-

Auditors' remuneration totalling £4,000 (2009 £4,000) relates to fees for the audit of the UK GAAP statutory accounts of Centrica Leasing (KL) 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 Leasing (KL) Limited. The auditors' remuneration was borne by Centrica plc.

5 Directors' emoluments

The directors received no emoluments as they are employed by other Centrica group companies (2009 £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 (2009 nil)

7 Interest receivable and similar income

	2010 £'000	2009 £'000
Finance lease interest receivable	39	44

8 Interest payable and similar charges

	2010 £'000	2009 £'000
Loan interest payable	398	403

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Tax on loss on ordinary activities

	2010 £'000	2009 £'000
(a) Analysis of tax charge in the period		
Current tax.		
UK corporation tax at 28% (2009 28%)	-	-
Deferred tax:		
Effect of change to deferred tax rate	(2)	-
Origination and reversal of timing differences	10	14
Tax on profit on ordinary activities	8	14

(b) Factors affecting the tax charge for the period

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

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(112)	(123)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	(32)	(34)
Effects of		
Expenses not deductible for tax purposes	42	41
Capital allowances in excess of depreciation	(10)	(14)
Group relief for nil consideration	1	8
UK UK transfer pricing adjustment	(1)	(1)
Current tax charge for the year	-	-

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The main rate of corporation tax reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. An initial reduction of 1% to 27% effective from April 2011 was enacted by Finance (No 2) Act 2010 and is therefore taken into account in these financial statements. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014, and the reduction to 25% from 1 April 2012 is expected to be enacted by Finance Act 2011. Beyond the reduction to 27%, the changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements. The impact of these changes on the deferred tax balances is not expected to be material.

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

10 Tangible assets

	Freehold land £'000	Power station assets £'000	Total £'000
Cost or valuation			
At 1 January and 31 December 2010	4,208	2,337	6,545
Accumulated depreciation			
At 1 January 2010	-	352	352
Charge for the year	-	173	173
At 31 December 2010	-	525	525
Net book amount			
At 31 December 2010	4,208	1,812	6,020
At 31 December 2009	4,208	1,985	6,193

The cost of assets acquired during 2007 for onwads finance leasing was £76,454,976. However a sub-participation arrangement was entered into with another Group company over 99% of the finance lease receivables resulting in these amounts being derecognised.

11 Debtors - amounts falling due within one year

	2010 £'000	2009 £'000
Net investment in intra-Group finance leases	94	88
Amounts owed by Group undertakings	12	1
	106	89

The amounts receivable from Group undertakings are interest-free. All amounts receivable from Group undertakings are unsecured and repayable on demand.

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

12 Debtors - amounts falling due after more than one year

	2010 £'000	2009 £'000
Net investment in intra-Group finance leases	<u>426</u>	<u>518</u>

13 Creditors - amounts falling due within one year

	2010 £'000	2009 £'000
Amounts owed to Group undertakings	<u>105</u>	<u>99</u>

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

14 Creditors - amounts falling due after more than one year

	2010 £'000	2009 £'000
Amounts owed to Group undertakings	<u>6,971</u>	<u>7,063</u>

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

Maturity of financial liabilities	2010 £'000	2009 £'000
Less than one year	105	99
Between one and five years	377	408
Over five years	<u>6,594</u>	<u>6,655</u>
	<u>7,076</u>	<u>7,162</u>

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

15 Provisions for liabilities

	Deferred taxation £'000	Total £'000
At 1 January 2010	37	37
Charged to the profit and loss account	8	8
At 31 December 2010	45	45

Deferred taxation

	As at 1 January 2010 £'000	Profit and loss charge/(credit) £'000	As at 31 December 2010 £'000
Deferred corporation tax			
- accelerated capital allowances	37	8	45
	<u>37</u>	<u>8</u>	<u>45</u>

Deferred corporation tax provision/(asset) at 27% (2009 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	45	37	-	-
	<u>45</u>	<u>37</u>	<u>-</u>	<u>-</u>

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

16 Called up share capital

	2010	2009
	£	£
Authorised share capital		
Nil ordinary shares of £1 each (2009 1,000 ordinary shares of £1 each)	-	1,000
Allotted and fully paid share capital		
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 14 January 2010 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 account

	2010
	£'000
At 1 January 2010	(300)
Loss for the financial year	(120)
At 31 December 2010	(420)

18 Reconciliation of movements in shareholders' deficit

	2010	2009
	£'000	£'000
Loss for the financial year	(120)	(137)
Opening shareholders' deficit	(300)	(163)
Closing shareholders' deficit	(420)	(300)

19 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.

Centrica Leasing (KL) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

20 Ultimate parent undertaking

The Company's immediate parent undertaking is Centrica KL Limited, a company registered in England and Wales

The Company's ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com