

Humberland Limited

Annual report
For the year ended 31 December 2005

Registered Number: 2949541

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Humberland Limited

Annual report for the year ended 31 December 2005

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Humberland Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of Humberland Limited ("the Company") for the year ended 31 December 2005.

Principal activities and review of business

The principal activity of the Company is the development and investment in a gas fired power station at Stallingborough, North East Lincolnshire.

Both phases of the plant were maintained in accordance with the planned inspection programme and remain under contract to Humber Power Limited. This is expected to continue in the coming year.

Financial results and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2005 is £13,577,000 (2004 : £19,146,000). The directors do not recommend the payment of a dividend (2004: £19,146,000).

Directors

The following served as directors during the period:

Didier Chanoine	(resigned 20 September 2005)
James Dunn	(resigned 18 October 2005)
Luc Jaubert	(resigned 20 September 2005)
Amanda King	(appointed 18 October 2005)
Philippe Mateille	(resigned 20 September 2005)
Sarwjit Sambhi	(resigned 28 April 2005)
Phillippe Sauquet	(resigned 20 September 2005)
Alan Bennett	
Jonathan Bradley	(appointed 18 October 2005)
Michael Garstang	
Simon Goodwin	

On 1 August 2006 Amanda King resigned as a director of the Company. On 14 August 2006 Benedict Wright was appointed as a director of the Company.

At no time during the year ended 31 December 2005 did any director have any interests in the shares of the Company or any other company in the Centrica group except for interests in, and options over, the shares and interests of the ultimate parent company, Centrica plc.

Directors' interests in shares (as defined by Section 325 of the Companies Act 1985)

The directors with interests in and options over the ordinary shares of Centrica plc at the year end are as follows:

Beneficial interests in ordinary shares	As at 31 December 2005	As at 31 December 2004
Michael Garstang	12,541	-
Alan Bennett	16,922	2,077
Amanda King	2,129	1,380
Simon Goodwin	9,829	5,530
Jonathan Bradley	145,197	123,658

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

Humberland Limited

Directors' report for the year ended 31 December 2005 (continued)

Centrica Sharesave scheme

	As at 31 December 2004	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2005
Alan Bennett	8,823	-	-	-	8,823
Amanda King	5,161	-	-	-	5,161
Simon Goodwin	10,776	-	-	-	10,776
Jonathan Bradley	8,823	-	-	-	8,823

Centrica Long term Incentive scheme (LTIS)

	As at 31 December 2004	Allocations granted during the year	Allocations vested during the year	Allocations lapsed during the year	As at 31 December 2005
Michael Garstang	94,377	25,147	36,609	4,664	78,251
Alan Bennett	131,448	34,966	40,801	5,209	120,404
Amanda King	83,228	24,928	17,058	5,183	85,915
Simon Goodwin	17,121	19,155	6,017	1,829	28,430
Jonathan Bradley	117,558	28,123	36,508	4,716	104,457

Total allocations as at 31 December 2005 shown above are subject to challenging performance conditions. At the end of the performance period the Total Shareholder Return of Centrica plc will be assessed against that of the relevant LTIS comparator group. If, and to the extent that, the performance conditions are met, the relevant number of shares will be released to the directors at the Trustee's discretion as soon as practicable thereafter.

A conditional allocation of shares was made under the terms of the Scheme on 1 April 2005 at a price of 228 pence per share.

Centrica Executive Share Option Scheme (ESOS)

	As at 31 December 2004	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2005
Alan Bennett	169,298	69,932	-	-	239,230
Jonathan Bradley	141,689	53,122	-	-	194,811

Under the terms of the ESOS a further grant of options was made on 1 April 2005 at an option price of 228 pence per share.

Humberland Limited

Directors' report for the year ended 31 December 2005 (continued)

Options were granted under the terms of the ultimate parent company's ESOS, and allocations made under the terms of the LTIS. Details of these schemes and the Share Incentive Plan can be found in the 2005 accounts of Centrica plc, copies of which can be obtained from www.centrica.com.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2005 (30 December) was 254.75 pence. The range during the year was 264.75 pence (high) and 217.50 pence (low).

As at 31 December 2005, nil shares and 2,591 shares (1 January 2005: 6,370,264 and 2,548) were held by the respective Trustees of employee share trusts for the purposes of the LTIS and the Share Incentive Plan. As with other employees, the directors are deemed to have a potential interest in those shares, being beneficiaries under the trust.

There were no contracts of significance during or at the end of the financial 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 disclosable related party transactions during the year (2004: £nil).

Financial risk management

The Directors have established objectives and policies for managing financial risks to enable 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, interest rate risk and liquidity risk arises in the normal course of the Company's business.

Derivative financial instruments are entered into to reduce exposure to fluctuations in interest rates. The Company's policy is to actively manage cash flow risk associated with changes in interest rates resulting from the floating interest rates by swapping floating-rate interest flows into fixed-rate interest flows. Refer to Note 17 for details.

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Credit risk is predominantly limited to exposures with other Centrica Group companies.

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.

Political and charitable donations

The Company made no political or charitable donations during the period (2004: £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 period under review.

Creditor payment policy

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

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Humberland Limited

Directors' report for the year ended 31 December 2005 (continued)

Statement of directors' responsibilities (continued)

The directors confirm that suitable accounting policies have been used and applied consistently in the year. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

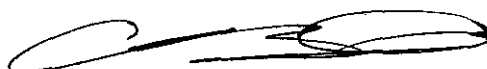
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually, and Pricewaterhouse Coopers LLP will therefore continue in office.

This report was approved by the Board on 18th December 2006.

For and on behalf of the Board:



Registered office:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Independent Auditors' report to the Members of Humberland Limited

We have audited the financial statements of Humberland Limited for the year ended 31 December 2005, 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 other 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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hull

19 December 2006

Humberland Limited

Profit and loss account for the year ended 31 December 2005

		Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
	Notes		
Administration expenses		(42)	(71)
Other Income		75	75
Operating profit	4	33	4
Interest receivable and similar income	7	55,616	56,378
Interest payable and similar charges	8	(40,794)	(29,041)
Profit on ordinary activities before taxation		14,855	27,341
Tax on profit on ordinary activities	9	(1,278)	(8,195)
Profit for the year		13,577	19,146
Dividends	10	-	(19,146)
Retained profit for the year	19	13,577	-

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated and their historical cost equivalents.

All activities relate to continuing operations.

Humberland Limited

Balance sheet as at 31 December 2005

	Notes	2005 £'000	2004 £'000
Fixed Assets			
Tangible assets	11	2,210	2,216
Current assets			
Debtors – amounts due within one year	12	7,812	6,230
Debtors – amounts due after more than one year	13	<u>545,948</u>	<u>551,726</u>
		553,760	557,956
Creditors – amounts falling due within one year	14	(86,075)	(92,231)
Net current assets		<u>467,685</u>	<u>465,725</u>
Total assets less current liabilities		469,895	467,941
Creditors – amounts falling due after more than one year	15	(426,163)	(438,410)
Provisions for liabilities and charges	16	(29,313)	(28,689)
		<u>14,419</u>	<u>842</u>
Capital and reserves			
Called-up share capital	18	-	-
Share premium account	19	842	842
Profit and loss account	19	13,577	-
Equity shareholders' funds	20	<u>14,419</u>	<u>842</u>

The financial statements on pages 6 to 14 were approved and authorised for issue by the Board of Directors on 18th December 2006 and were signed on its behalf by:



Director

Humberland Limited

Notes to the financial statements for the year ended 31 December 2005

1 Statement of accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the applicable Accounting Standards and the Companies Act 1985. The principal accounting policies are set out below.

Fixed assets

Fixed assets with the exception of freehold land, are stated cost. During 1995 the company's freehold land was valued by the directors on an open market, existing use basis. No further valuations will be carried out in the future, though the existing valuation will be retained.

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:

- Plant, machinery and equipment: 4 years

Finance Leases

Assets held under the finance lease arrangements have been capitalised and are included in fixed assets at their fair value at the inception of the lease. The obligations relating to finance leases, net of finance charges in respect of future years, are included as appropriate under creditors due within or after more than one year. The interest element of the lease rental is allocated to accounting years during the lease on an accruals basis. The interest charge is based on the outstanding finance lease creditor.

From the point at which each phase of the power station became operational, these assets were leased to the company's parent undertaking under an agreement, which transfers substantially all the risks and rewards of ownership, other than legal title. Income arising under this agreement is allocated according to accounting years so as to give constant rate of return on the net cash investment in the lease.

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 stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Interest

Interest on borrowing specifically relating to the financing of each Phase was capitalised during the construction year. All other interest is charged/credited directly to the profit and loss account.

Humberland Limited

Notes to the financial statements for the year ended 31 December 2005 (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 No. 1 "Cash Flow Statements". The Company is also exempt under the terms Financial Reporting Standard No. 8 "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

3 Segmental reporting

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

4 Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	6	34
Auditors' remuneration:		
Audit services	15	15

5 Directors' emoluments

The directors received no emoluments as they are employed by other Centrica group companies (2004: £nil). All of the Directors are members of the ultimate parent company's defined benefit pension scheme.

6 Employee information

Other than directors, there were no employees of the company during the year (2004: Nil).

7 Interest receivable and similar income

	2005 £'000	2004 £'000
Intra-group finance lease interest	55,616	56,378

Humberland Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

8 Interest payable and similar charges

	2005 £'000	2004 £'000
Interest rate swap fees	21,562	10,115
Finance leases	19,232	18,926
	<u>40,794</u>	<u>29,041</u>

9 Tax on profit on ordinary activities

	2005 £'000	2004 £'000
The tax charge comprises :		
UK corporation tax at 30% (2004: 30%) based on the profit for the year		
Current	784	8,402
- adjustments in respect of prior years	(130)	(15)
Deferred - origination and reversal of timing differences	619	(192)
- adjustments in respect of prior years	5	-
Total tax charge on profit on ordinary activities	<u>1,278</u>	<u>8,195</u>

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	<u>14,855</u>	<u>27,341</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	4,457	8,202
Effects of :		
Expenses not deductible for tax purposes	-	8
Capital allowances in excess of depreciation	(602)	192
Other timing differences	(17)	-
Adjustments in respect of prior years	(130)	(15)
Group relief for nil consideration	(1,872)	-
UK:UK transfer pricing adjustments	(1,182)	-
Current tax charge for the year	<u>654</u>	<u>8,387</u>

Humberland Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

10 Dividends

	2005 £'000	2004 £'000
Equity dividends paid	-	19,146

11 Tangible assets

	Freehold Land £'000	Plant, machinery and equipment £'000	Total £'000
Cost or valuation			
At 31 December 2004	2,210	817	3,027
Additions	-	-	-
As at 31 December 2005	2,210	817	3,027
Accumulated depreciation			
At 31 December 2004	-	811	811
Charge for the year	-	6	6
At 31 December 2005	-	817	817
Net book value			
At 31 December 2005	2,210	-	2,210
At 31 December 2004	2,210	6	2,216

The Company's freehold land was valued by the directors on 31 March 1995. The historical cost and net book value of the Company's freehold land at 31 December 2005 is £1,362,000 (2004: £1,362,000). The Company has adopted the transitional provisions of Financial Reporting Standard No 15 - "Tangible Fixed Assets" and as a result no further valuations will be carried out and previous surpluses will be retained.

12 Debtors – amounts due within one year

	2005 £'000	2004 £'000
Net investment in intra-group finance leases	5,617	6,219
Corporation tax	2,186	-
Prepayments and accrued income	9	11
	7,812	6,230

Humberland Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

13 Debtors – amounts due after more than one year

	2005 £'000	2004 £'000
Net investment in intra-group finance leases	545,948	551,726

14 Creditors - amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	11	-
Amounts owed to parent undertaking	74,032	80,329
Other creditors	-	6,155
Obligations under finance leases	12,032	5,747
	<u>86,075</u>	<u>92,231</u>

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

15 Creditors - amounts falling due after more than one year

	2005 £'000	2004 £'000
Obligations under finance lease	426,163	438,410

Fixed and floating charges exist over all the assets of the Company to secure its finance lease liabilities.

Finance leases

	2005 £'000	2004 £'000
Amounts repayable by installments:		
Less than one year	12,032	5,747
Between two and five years	45,562	38,219
Over five years	380,601	400,191
	<u>438,195</u>	<u>444,157</u>

The finance lease bears interest at a margin above Libor. The rate is predominantly fixed using interest rate swaps at rates varying between 7.0% and 7.7% which expire between 2009 and 2014.

Humberland Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

16 Provisions for liabilities and charges

	Deferred taxation £'000	Total £'000
As at 1 January 2005	28,689	28,689
Profit and loss charge	624	624
As at 31 December 2005	<u>29,313</u>	<u>29,313</u>

Deferred tax is provided at 30% (2004: 30%). Full provision has been made for deferred taxation arising from accelerated capital allowances.

17 Financial Instruments

In accordance with Statutory Instrument 04/2947 of the Companies Act 1985, the fair values of the Company's financial instruments are analysed below. These amounts are not included in the Balance Sheet as the Company has not early adopted FRS26 "*Financial Instruments: Recognition and Measurement*".

	2005 £'000	2004 £'000
Derivative financial instruments held for trading		
Interest rate derivatives – liabilities	44,000	9,000

18 Called-up share capital

	2005 £	2004 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Humberland Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

19 Reserves

	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
At 31 December 2004	842	-	842
Retained profit for the year	-	13,577	13,577
At 31 December 2005	<u>842</u>	<u>13,577</u>	<u>14,419</u>

20 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit for the year	13,577	19,146
Dividends	-	(19,146)
Opening shareholders' funds	<u>842</u>	<u>842</u>
Closing shareholders' funds	<u>14,419</u>	<u>842</u>

21 Commitments and contingent liabilities

Capital expenditure

Contracted future capital expenditure as at 31 December 2005 was £Nil (2004: £Nil).

22 Ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited.

The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales. Copies of the Centrica plc consolidated financial statements can be obtained from the Company Secretary at Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.