

Registered Number: 03275445

Centrica Renewable Energy Limited

**Annual report and Financial Statements
For the year ended 31 December 2012**



Centrica Renewable Energy Limited

Annual report and Financial Statements for the year ended 31 December 2012

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Centrica Renewable Energy Limited

Directors' report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of Centrica Renewable Energy Limited ("the Company") for the year ended 31 December 2012

Principal activities

The principal activities of the Company during the year were

- (a) The holding of investments in subsidiary companies that are developing or operating wind farms,
- (b) The holding of investments in joint ventures that are developing or operating wind farms,
- (c) The provision of management services and transitional support services to joint ventures, and
- (d) The rechartering of an offshore construction vessel

The Company's activity occurred wholly within the United Kingdom

Review of business and future developments

The Company continued to lease the MV Resolution construction vessel, which it makes available either to its affiliated wind farm companies for construction and other support activities, or to external parties. The Company intends to continue to lease the MV Resolution for the foreseeable future at least up to the end of the lease term, 31 December 2013, but with further annual options up to 31 December 2016

On 23 April 2012, the Company's subsidiary company, Centrica Energy Renewable Investments Limited (CERI), issued 14,068,888 ordinary shares of £1 each in CERI, as consideration for the release of the liability to repay CERI's inter company balance as at 29 February 2012 of £14,068,888

On 27 April 2012, Centrica Energy Renewable Investments Limited changed its name to Celtic Array Limited

On 30 April 2012, the Company sold a 50% holding in Celtic Array Limited to DONG Energy Power A/S (whose ultimate parent undertaking is DONG Energy A/S). The proceeds of this transaction were £15,939,000 and profit on disposal of £8,604,000 was recognised

On 31 December 2012, as part of an internal reorganisation by the ultimate parent company, the trade and assets of Centrica (BOW) Limited were transferred to the Company. The transfers took place in exchange for an intercompany payable of £34,837,002. The trade of Centrica (BOW) Limited will be taken on by the Company from this date. Centrica (BOW) Limited primarily acted as a holding company for the investment in Barrow Offshore Wind Limited, a joint venture with DONG Energy Power (UK) Limited, which was transferred to the Company as part of the transaction. Following the transfer, on 31 December 2012 Centrica (BOW) Limited declared and paid an interim dividend of £34,837,000 to Centrica Renewable Energy Limited

On 27 March 2013 Airtricity UK Windfarm Holdings Limited who are ultimately owned by Scottish and Southern Energy plc sold their 50% holding in Braes of Doune Wind Farm (Scotland) Limited to Greencoat UK Wind Holdco Limited

On 7 June 2013, the Company sold its 50% holding in Braes of Doune Wind Farm (Scotland) Limited to HGPE Braes of Doune Holdco Limited, a company registered in England and Wales. Proceeds on this transaction were £59,109,000

Principal risks and uncertainties

The Company's principal risks are the ability of its subsidiaries and joint ventures to make loan repayments and to pay dividends when appropriate. These risks are driven by the availability and technical performance of the wind turbines and ancillary equipment. The principal risks facing the subsidiaries and joint ventures with wind farms under construction are cost overruns on the construction projects, failure to complete the projects on time and having no off-take of the electricity produced once constructed

Centrica Renewable Energy Limited

Directors' report for the year ended 31 December 2012 (continued)

Key performance indicators

The Directors of the Centrica plc group ("the Group") use a number of key performance indicators to monitor progress against the Group's strategy. The development and performance of the Group, which includes the Company, are discussed on pages 18-19 of the 2012 annual report and accounts of the Group, which does not form part of this report.

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. The most significant risks faced by the Company in 2012 related to liquidity risk and counterparty credit risk.

- Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with other Centrica group companies.
- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits.
- At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment.

The Company takes part in economic hedging with respect to foreign currency risk.

Results and dividends

The results of the Company are set out on page 5. The profit for the financial year ended 31 December 2012 was £32,017,000 (2011 profit of £434,000). No dividends were paid for the year ended 31 December 2012 (2011 £nil). The Directors do not recommend the payment of a final dividend (2011 £nil).

Financial position

The financial position of the Company is presented in the balance sheet on page 6. Shareholders' funds at 31 December 2012 were £133,232,000 (2011 £101,215,000).

Directors

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

G S Collinson
T Hinton
R M McCord (Appointed 4 April 2012)
S P Redfern (Appointed 26 November 2012)
D A J Crowther (Resigned 4 April 2012)
A S Thompson (Resigned 28 September 2012)

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 financial year under review. The insurance does not provide cover in the event that a director is proved to have acted fraudulently.

Creditor payment policy

It is the Company's policy to

- agree the terms of payment in advance with the supplier,
- ensure that suppliers are aware of the terms of payment, and
- pay in accordance with contractual and other legal obligations.

Centrica Renewable Energy Limited

Directors' report for the year ended 31 December 2012 (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 prepared 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, and
- 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.

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.

Independent 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 28 June 2013



For and on behalf of
Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No 03275445

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Renewable Energy Limited

Independent auditors' report to the members of Centrica Renewable Energy Limited

We have audited the financial statements of Centrica Renewable Energy Limited for the year ended 31 December 2012 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 Statement of Directors' Responsibilities 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit 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.

Mark King (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
June 2013

Centrica Renewable Energy Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Administrative expenses		(33,674)	(31,781)
Other operating income	3	34,495	28,608
Operating (loss) / profit before exceptional item		821	(3,173)
Exceptional item - impairment of asset for resale	3	(2,100)	-
Exceptional item - payment relating to a sale of 50% of Lincs Wind Farm Limited	3	(5,070)	-
Operating loss		(6,349)	(3,173)
Profit on disposal of subsidiary undertakings and joint venture	12	8,604	-
Income from shares in Group undertakings	8	34,837	-
Interest receivable and similar income	6	3,514	6,540
Interest payable and similar charges	7	(8,544)	(2,929)
Profit on ordinary activities before taxation		32,062	438
Tax on profit on ordinary activities	9	(45)	(4)
Profit for the financial year	18	32,017	434

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 profit for the financial years stated and their historical cost equivalents

All activities relate to continuing operations

The notes on pages 7 to 20 form part of these financial statements

Centrica Renewable Energy Limited

Balance sheet as at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	10	3,589	1,721
Investments in subsidiaries	11	50,381	50,381
Investment in joint venture	12	71,115	13,573
		<u>125,085</u>	<u>65,675</u>
Current assets			
Debtors - amounts falling due within one year	13	11,541	116,822
Debtors - amounts falling due after more than one year	14	7,509	9,018
Cash at bank and in hand		17,352	63
Asset for resale	14	-	2,100
		<u>36,402</u>	<u>128,003</u>
Creditors - amounts falling due within one year	15	(23,136)	(92,459)
Net current assets		<u>13,266</u>	<u>35,544</u>
Total assets less current liabilities		<u>138,351</u>	<u>101,219</u>
Provisions for liabilities	16	(5,119)	(4)
Net assets		<u>133,232</u>	<u>101,215</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	18	133,231	101,214
Total shareholders' funds	19	<u>133,232</u>	<u>101,215</u>

The notes on pages 7 to 20 form part of these financial statements

The financial statements on pages 5 to 20 were approved and authorised for issue by the Board of Directors on June 2013 and were signed on its behalf by


Thomas Hinton
Director

Company No 03275445

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

Accounting principles

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

Accounting policies have been applied consistently, other than where new policies have been adopted.

Other operating income

Other operating income consists substantially of the rechartering of an offshore vessel to third parties, related parties and income receivable from the Company's related parties GLID Wind Farms TopCo Limited, Lincs Wind Farm Limited, Celtic Array Limited and Barrow Offshore Wind Limited for managerial and support services provided. The income is recognised as the service is provided. Costs incurred in the course of the provision of management and support services are included within administration expenses. The Company's activity occurred wholly within the United Kingdom.

Investments

Fixed asset investments are shown at historic cost less any provision for impairment. Investments consist of equity interests in subsidiaries, a joint venture and a shareholder loan made to the joint venture.

Income from joint venture and subsidiaries

Dividends receivable are recognised for interim dividends when they are paid, and for final dividends, when they are approved by shareholders.

Tangible fixed assets

Tangible assets are included in the balance sheet at historic cost, less accumulated depreciation.

Assets in the course of construction represent the cost of purchasing, commissioning, constructing and installing tangible fixed assets ahead of their productive use. When the assets are brought into use, the associated costs will be transferred to buildings and plant and machinery, and the assets will begin to be depreciated on a straight-line basis over their useful economic life.

The assets have not yet been employed by the Company, and accordingly no depreciation charge is recognised for these assets.

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 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 net realisable value 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.

Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease.

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Foreign currency

The financial statements of the Company are presented in sterling, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date, and movements are included in the profit and loss account.

Financial instruments

The Company entered into forward contracts to economically hedge the foreign currency risk associated with the construction of the Lincs wind farm. Changes in the derivatives' fair value are not recognised, but they are disclosed in note 24.

Taxation

Current tax being 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 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 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.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Goodwill

In the absence of specific guidance under UK GAAP, the Company has adopted an accounting policy which records acquisitions of a business from another group company using the principals of merger accounting prospectively from the date of the transaction. Where the business is transferred from a subsidiary company, the investment in the subsidiary has been reclassified to goodwill since the company has suffered no loss of value as a result of the business transfer. Where the business of the subsidiary was to solely act as an investment holding company, the investment in the subsidiary is reclassified to the cost of the acquired shares as opposed to goodwill as the Directors believe that this reflects the economic reality of the transaction.

Loans

Loans receivable are carried at amortised cost using the effective interest rate method less any allowance for estimated impairments. A provision is established for impairments where there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired, is recognised in the profit and loss account.

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 Consolidated financial statements, 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 the need to prepare group financial statements offered under Section 400 of the Companies Act 2006. Similarly the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No. 1 (revised 1996) "Cash Flow Statements". The Company is also exempt under the terms of Financial Reporting Standard No. 8 "Related Party Disclosures" from disclosure of transactions with other companies that are part of the Centrica plc group.

3 Operating loss

	2012 £000	2011 £000
Operating loss is stated after crediting /(charging)	-	
Other operating income		
- offshore vessel rechartering	6,410	6,737
- management services and transitional support services provided to GLID Wind Farms TopCo Limited (note 22)	5,275	3,816
- management services and transitional support services provided to Lincs Wind Farm Limited (note 22)	19,237	15,509
- management services and transitional support services provided to Celtic Array Limited (note 22)	3,561	-
- other operating income	12	2,546
	<u>34,495</u>	<u>28,608</u>
Exceptional item - impairment of asset for resale (note 14)	(2,100)	-
Exceptional item - payment relating to a sale of 50% of Lincs Wind Farm Limited (note 23)	(5,070)	-
Recharges from other Centrica group companies	(17,507)	(14,640)
Contractor costs	<u>(12,985)</u>	<u>(10,219)</u>

Auditors' remuneration was £20,000 (2011: £18,000) and relates to fees for the audit of the UK GAAP statutory financial statements of Centrica Renewable Energy Limited.

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

4 Directors' emoluments

The aggregate emoluments paid to directors in respect of their qualifying services were £88,444 (2011 £232,788). The aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services were £6,771 (2011 £21,514). The aggregate compensation payments paid to directors in respect of loss of office were £26,400 (2011 nil). There were four directors (2011 3) to whom retirement benefits are accruing under a defined benefit pension scheme. There was one director (2011 1) to whom retirement benefits are accruing under money purchase pension schemes. There were three directors (2011 3) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme. There were two directors (2011 nil) who exercised share options relating to the ultimate parent company. In the prior year, the highest paid director received emoluments of £133,231 and company contributions to their pension scheme of £8,224. Some of these costs were borne by other Centrica group companies.

5 Employee information

The Company has no employees and no staff costs (2011 £nil). Any costs relating to employees are borne by other Centrica group companies.

6 Interest receivable and similar income

	2012	2011
	£000	£000
Commitment fees and interest receivable from Lincs Wind Farm Ltd	<u>3,514</u>	<u>6,540</u>

During 2011 the Company provided a £320 million standby facility to Lincs Wind Farm Limited in return for monthly commitment fees, in order to fund expenditure with respect to the development of the Lincs Wind Farm and general corporate purposes. The fees have been computed at the rate of 1.4% per annum on the Company's commitment less the balance of its loans to Lincs Wind Farm Limited, plus upfront fees of 0.375% upon the signing of the contract and 0.375% upon the first utilisation of the facility. During 2012, the Company recognised and received £3,514,000 of commitment fees and interest on amounts drawn down under the facility during 2012 up to the project utilisation date (note 22).

7 Interest payable and similar charges

	2012	2011
	£000	£000
Interest payable to other Group undertakings	<u>8,544</u>	<u>2,929</u>

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Income from shares in Group undertakings

	2012 £000	2011 £000
Dividends received	<u>34,837</u>	<u>-</u>

During the year the Company received dividends of £34,837,000 from Centrica (BOW) Limited (2011 nil)

9 Tax on profit on ordinary activities

	2012 £000	2011 £000
(a) Analysis of tax charge in the year		
The tax charge comprises		
Current tax		
United Kingdom corporation tax at 24.5% (2011 26.5%)	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Effect of change to corporation tax rate	(4)	-
Origination and reversal of timing differences	31	4
Adjustments in respect of prior years	18	-
Total tax on profit on ordinary activities	<u>45</u>	<u>4</u>

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs (2011 differs) from that calculated at the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before taxation	32,062	438
Tax on profit on ordinary activities at standard UK corporation tax rate of 24.5% (2011 26.5%)	7,855	116
Effects of		
Expenses not deductible for tax purposes	1,242	-
Capital allowances in excess of depreciation	(31)	(4)
Income not subject to tax	(2,108)	-
Income from shares in Group undertakings not subject to tax	(8,535)	(675)
Group relief for nil consideration	2,411	2,247
UK UK transfer pricing adjustment	(834)	(1,684)
Total current tax charge	<u>-</u>	<u>-</u>

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013, enacted under Finance Act 2012. Further reductions to the main rate were proposed in the Autumn Statement 2012 and the Budget Statement 2013 to respectively reduce the rate to 21% from 1 April 2014 and to 20% by 1 April 2015. Beyond a reduction to 23% from 1 April 2013, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of the proposed changes to the financial statements is not material.

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Tangible assets

	Assets under construction £000	Total £000
Cost		
As at 1 January 2012	1,721	1,721
Additions	1,868	1,868
As at 31 December 2012	3,589	3,589
Accumulated depreciation		
As at 1 January 2012	-	-
Charge for the year	-	-
At 31 December 2012	-	-
Net book value		
At 31 December 2012	3,589	3,589
At 31 December 2011	1,721	1,721

Tangible assets represent the construction and fitting out costs of a parts and storage facility at Grimsby, which will be utilised by other Centrica Group wind farms and related parties

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Investments in subsidiaries

	Investments in subsidiaries £000
Cost	
As at 1 January 2012	55,681
Additions	14,068
Disposals	(7,034)
Transfer to investment in joint venture (note 12)	(7,034)
As at 31 December 2012	55,681
Impairment	
As at 1 January 2012	5,300
Impairment	-
As at 31 December 2012	5,300
Net book value	
As at 31 December 2012	50,381
As at 31 December 2011	50,381

The Directors believe that the carrying value of the investments is supported by the value of their underlying net assets

The investments in subsidiaries at 31 December 2012 represent the whole of the ordinary share capital of the following subsidiaries, all incorporated in England and Wales

Name	Principal activity
Centrica (BOW) Limited	Investment in renewable energy joint venture
GLID Limited	Investment in renewable energy joint venture
Centrica (Lincs) Wind Farm Limited	Investment in renewable energy joint venture
Centrica (DSW) Limited	Construction and operation of wind farms
Centrica (RBW) Limited	Construction and operation of wind farms
Centrica (Lincs) Topco Limited	Dormant

On 30 April 2012, the Company sold a 50% holding in Celtic Array Limited to DONG Energy Power A/S (whose ultimate parent undertaking is DONG Energy A/S). The proceeds of this transaction were £15,939,000 and profit on disposal of £8,604,000 was recognised.

On 31 December 2012, as part of an internal reorganisation by the ultimate parent company, the trade and assets of Centrica (BOW) Limited were transferred to the Company. The transfers took place in exchange for an intercompany payable of £34,837,002. The trading of Centrica (BOW) Limited will be taken on in the Company from this date.

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

12 Investment in joint ventures

	Investment in joint ventures £000	Loan to joint ventures £000	Total £000
Cost and net book value			
As at 1 January 2012	3,665	9,908	13,573
Transfer from investment in subsidiaries (note 11)	7,034	-	7,034
Additions	55,858	-	55,858
Repayment of loan	-	(5,350)	(5,350)
As at 31 December 2012	66,557	4,558	71,115

The Directors believe that the carrying value of the investments are supported by the value of the underlying net assets. The investment in joint ventures at 31 December 2012 represents 50% interests in the ordinary share capital of the following companies, all incorporated in England and Wales

Name	Principal activity
Braes of Doune Wind Farm (Scotland) Limited ("Braes")	Construction and operation of wind farms
Celtic Array Limited	Development of wind farm projects
Barrow Offshore Wind Limited ("BOW")	Operation of wind farms

At 31 December 2012, the remaining shares of Braes were controlled by a company whose ultimate parent undertaking is Scottish and Southern Energy plc. On 27 March 2013, Scottish and Southern Energy plc sold their shares to Greencoat UK Wind Holdco Limited. The loan to Braes bears no interest. The loan is repaid throughout the term, but with shareholder approval it can be converted into a loan that is repayable on demand. Braes made a profit after taxation of £4,203,000 in the year ended 31 March 2013 (2012 £8,763,000). The equity shareholders' funds at 31 March 2013 were £42,213,000 (2012 £38,010,000).

On 30 April 2012, the Company sold a 50% holding in Celtic Array Limited to DONG Energy Power A/S (whose ultimate parent undertaking is DONG Energy A/S). The proceeds of this transaction were £15,939,000 and profit on disposal of £8,604,000 was recognised.

The remaining shares of Celtic Array Limited are controlled by a company whose ultimate parent undertaking is DONG Energy A/S. Celtic Array Limited made a loss after taxation of £824,000 in year ended 31 December 2012 (2011 £1,330,000). The equity shareholders' funds at 31 December 2012 were £46,162,000 (2011 equity shareholders' deficit of £2,283,000).

On 31 December 2012, as part of an internal reorganisation by the ultimate parent company, the trade and assets of Centrica (BOW) Limited were transferred to the Company. As part of the net assets transferred, the Company acquired Centrica (BOW) Ltd's 50% interest in Barrow Offshore Wind Ltd, which had a book value of £38,258,000 at the date of transfer.

The remaining shares of BOW are controlled by a company whose ultimate parent undertaking is DONG Energy A/S. BOW made a profit after taxation of £1,204,000 in the year ended 31 December 2012 (2011 £15,841,000). The equity shareholders' funds at 31 December 2012 were £54,996,000 (2011 £66,948,000).

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

13 Debtors – amounts falling due within one year

	2012 £000	2011 £000
Amounts owed by GLID Wind Farms TopCo Limited and subsidiaries (note 22)	882	383
Amounts owed by Lincs Wind Farm Limited (note 22)	3,008	112,251
Amounts owed by Celtic Array Limited (note 22)	3,904	-
Amounts owed by Barrow Offshore Wind Limited (note 22)	34	-
Payments for upgrade of crane on MV Resolution vessel (note 14)	3,711	4,130
Other debtors	2	58
	<u>11,541</u>	<u>116,822</u>

14 Debtors – amounts falling due after more than one year

	2012 £000	2011 £000
Payments for upgrade of crane on MV Resolution vessel	<u>7,509</u>	<u>9,018</u>

The Company has chartered the MV Resolution vessel. The contract for the charter expires on 31 December 2013, with annual options to extend until 31 December 2016. The company has agreed to pay for the upgrade of the crane on the vessel. At 31 December 2012, costs of £21,133,000 (2011 £20,767,000) had been incurred of which £2,100,000 was allocated against the title of the old crane that the Company received as part of the agreement. This has been disclosed as an asset for resale and has been fully impaired. Of the remaining £19,033,000 costs, £2,285,000 has been released to the profit and loss account during the year (2011 £5,528,000). During 2013 £3,711,000 will be released to the profit and loss account and has been included within other debtor amounts falling due within one year. The remaining £7,509,000 has been included within debtor amounts falling due after more than one year.

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Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Creditors – amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	762	1,049
Value Added Tax	695	348
Amounts owed to other Group undertakings	16,157	82,542
Amounts owed to Celtic Array Limited (note 22)	4,286	-
Accruals	1,236	2,110
Deferred income	-	6,410
	<u>23,136</u>	<u>92,459</u>

The amounts payable to Group undertakings include £200m (2011 £265m) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.28 and 3.51% per annum during 2012 (2011 1.71 and 2.71). The other amounts payable to Group undertakings are interest-free. All amounts payable to Group undertakings are unsecured and repayable on demand.

The deferred income in 2011 relates to payments received from Lincs Wind Farm Limited towards the cost of the upgrade of the crane on the MV Resolution, all of which has been released to the profit and loss account during 2012.

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Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Provision for liabilities

	Other provisions £000	Deferred tax provision £000	Total £000
As at 1 January 2012	-	4	4
Profit and loss charge	5,070	45	5,115
As at 31 December 2012	<u>5,070</u>	<u>49</u>	<u>5,119</u>

Deferred taxation

	As at 1 January 2012 £000	Profit and loss charge/(credit) £000	As at 31 December 2012 £000
Deferred corporation tax			
- accelerated capital allowances	4	45	49
- other timing differences	-	-	-
	<u>4</u>	<u>45</u>	<u>49</u>

Deferred corporation tax provision / (asset) at 23% (2011 25%) is analysed as follows

	Provided		Unprovided	
	2012 £000	2011 £000	2012 £000	2011 £000
Deferred corporation tax				
- accelerated capital allowances	49	4	-	-
	<u>49</u>	<u>4</u>	<u>-</u>	<u>-</u>

Other provisions

Other provisions represent expected costs in relation to a payment per the Share Purchase Agreement for Lincs Wind Farm Limited executed in 2010 payable to Lincs Renewable Energy Holdings Limited (see note 23)

17 Called up share capital

	2012 £	2011 £
Allotted and fully paid		
1,011 ordinary shares of £1 each (2011 1,011 ordinary shares of £1 each)	<u>1,011</u>	<u>1,011</u>

Centrica Renewable Energy Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Profit and loss account

	Profit and loss account £000
As at 1 January 2012	101,214
Profit for the financial year (note 19)	<u>32,017</u>
At 31 December 2012	<u><u>133,231</u></u>

19 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	32,017	434
Opening shareholders' funds at 1 January	<u>101,215</u>	<u>100,781</u>
Closing shareholders' funds at 31 December	<u><u>133,232</u></u>	<u><u>101,215</u></u>

20 Operating lease commitments

At the year end the Company had non-cancellable operating lease commitments for the following year for assets other than land and buildings as follows

	Offshore vessels	
	2012 £000	2011 £000
Leases which expire		
Within one year	27,319	-
Within two to five years	-	27,084
After five years	-	-
Total	<u><u>27,319</u></u>	<u><u>27,084</u></u>

21 Commitments

The Company has made a commitment to Barrow Offshore Wind Limited that it will make available a guaranteed loan facility totalling £65 million. As at 31 December 2012, £59 million had been utilised (2011 £59 million) leaving £6m that could be utilised in the future.

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Notes to the financial statements for the year ended 31 December 2012 (continued)

22 Related party transactions

- 1 As disclosed in note 12, the Company has made a loan to Braes of Doune Wind Farm (Scotland) Limited, the outstanding balance of which at 31 December 2012 was £4,558,000 (2011 £9,908,000). The loan bears no interest.
- 2 During the year, the Company earned income in relation to managerial and support services of £5,275,000 (2011 £3,816,000) from GLID Wind Farms TopCo Limited, £19,237,000 (2011 £15,509,000) from Lincs Wind Farm Limited and £3,561,000 from Celtic Array Limited (2011 £nil) (note 3).
- 3 During 2011, the Company received an additional £5,197,000 from Lincs Wind Farm Limited as a prepayment towards the cost of a crane upgrade on the leased vessel which Lincs Wind Farm Limited has contracted to use during the construction of its wind farm. A total of £12,800,000 was received and treated as deferred income of which £6,063,000 remaining at 31 December 2011 (note 15) has been released to the profit and loss account during 2012 (2011 £6,737,000). In addition, during 2011, the Company received £347,000 from Lincs Wind Farm Limited as a prepayment towards operations system enhancements. This was deferred in 2011 (note 15) and has been released to the profit and loss account during 2012.
- 4 During 2012, the Company received a net repayment from Lincs Wind Farm Limited of £97,500,000 of amounts drawn down at 31 December 2011 under the £320 million standby facility agreement ('the facility'). The facility expired in June 2012 on the project utilisation date, at which time Lincs Wind Farm Limited obtained external financing. The Company also received payment of £11,847,000 from Lincs Wind Farm Limited for commitment fees and interest on amounts drawn down under the facility during 2011. The Company also recognised and received a further £3,514,000 of commitment fees and interest on amounts drawn down under the facility during 2012 up to the project utilisation date.
- 5 At 31 December 2012, the amount receivable from GLID Wind Farms TopCo Limited and its subsidiaries for managerial and support services was £882,000 (2011 £383,000). The amount receivable from Lincs Wind Farm Limited for managerial and support services was £3,008,000 (2011 £112,251,000 consisting of £2,904,000 for managerial and support services, £97,500,000 amounts drawn down under the £320 million standby facility agreement and £11,847,000 for commitment fees and interest on amounts drawn down under the standby facility agreement). The amount receivable from Celtic Array Limited for managerial and support services was £3,904,000 (2011 £nil). In addition, the Company owed Celtic Array Limited £4,286,000 as reimbursement of advance payments for settlement of future supplier invoices. The amount receivable from Barrow Offshore Wind Limited for reimbursement of supplier invoices paid was £34,000 (2011 £nil).
- 6 The Company has entered into foreign exchange derivatives with Lincs Wind Farm Limited together with DONG Energy A/S and Siemens Financial Services Limited in proportion to their relevant shareholdings in Lincs Wind Farm Limited (50%/25%/25%) to hedge the foreign currency risk associated with the construction of the Lincs wind farm. The total fair value of the Company's foreign exchange derivatives at 31 December 2012 may be found in note 24.

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Notes to the financial statements for the year ended 31 December 2012 (continued)

23 Post balance sheet events

On 27 March 2013 Airtricity UK Windfarm Holdings Limited who are ultimately owned by Scottish and Southern Energy plc sold their 50% holding in Braes of Doune Wind Farm (Scotland) Limited to Greencoat UK Wind Holdco Limited

On 7 June 2013, the Company sold its 50% holding in Braes of Doune Wind Farm (Scotland) Limited to HGPE Braes of Doune Holdco Limited, a company registered in England and Wales. Proceeds on this transaction were £59,109,000

In May 2013, the Company received a claim for £4m, plus accrued interest, from Lincs Renewable Energy Holdings Limited, a company registered in England and Wales, a joint venture between Dong Wind I (UK) Limited, a company registered in England and Wales, and Siemens Project Venture GmbH, a company registered in Germany. Per the Share Purchase Agreement for Lincs Wind Farm Limited executed in 2010, this liability was contingent upon Lincs Renewable Energy Holdings Limited demonstrating that the type of turbines to be installed by Lincs Wind Farm Limited would achieve performance levels above a specified threshold. This level of performance was demonstrated in the supporting documents to the claim and is an adjusting post balance sheet event.

24 Financial instruments

In accordance with Statutory Instrument 2008/410 of the Companies Act 2006, as the Company has not implemented FRS 26 (Financial Instruments: Recognition and Measurement), the fair values of the Company's financial instruments are analysed below:

	2012 £000	2011 £000
Derivative financial instruments		
Foreign exchange derivatives - assets	-	1,852
Foreign exchange derivatives - liabilities	<u>(105)</u>	<u>(2,183)</u>

25 Ultimate parent undertaking

The Company's immediate parent undertaking is GB Gas Holdings 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 Centrica plc consolidated financial statements may be obtained from www.centrica.com