

Registered Number: 07097280

Centrica (Lincs) Wind Farm Limited

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

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Centrica (Lincs) Wind Farm Limited

Annual report and financial statements for the period ended 31 December 2010

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Centrica (Lincs) Wind Farm Limited

Directors' report for the period ended 31 December 2010

The Directors present their first report and audited financial statements of Centrica (Lincs) Wind Farm Limited ("the Company") for the period ended 31 December 2010

Principal activities

The principal activity of the Company is that of a holding company which, with effect from 28 June 2010, has held a 50% interest in the ordinary share capital of Lincs Wind Farm Limited. Lincs Wind Farm Limited is a joint venture between the Company (50%) (the ultimate parent undertaking of which is Centrica plc) and Lincs Renewable Energy Holdings Limited (50%), a joint venture between DONG Wind I (UK) Limited (50%) and Siemens Project Ventures GmbH (50%) (the ultimate parent undertakings of which are DONG Energy A/S and Siemens AG respectively)

The Company was incorporated on 7 December 2009. On incorporation, the Company's year end was set for 31 December and these financial statements are therefore drawn up for the 12-month and 25-day period ended 31 December 2010 ("the period")

Review of business and future developments

During the period the Company received interest on loans granted to Lincs Wind Farm Limited, as detailed below

During the period, the Company granted loans totalling £112,102,000 to Lincs Wind Farm Limited. The total balance owed to the Company by Lincs Wind Farm Limited at 31 December 2010, including accrued interest, was £117,628,000

On, 1 June 2010, 1,000,000 ordinary shares of £1 each were issued and allotted by the Company to Centrica Renewable Energy Limited, a fellow undertaking of the Centrica group ("the Group"), as consideration for, and upon completion of, the transfer by Centrica Renewable Energy Limited of 50% of the issued share capital of Lincs Wind Farm Limited to the Company. The completion date of the transfer was 28 June 2010

The Company expects to continue its activity as a holding company for the foreseeable future

Principal risks and uncertainties

Risks are formally reviewed and appropriate processes are put in place to monitor and mitigate them

The Company's principal risks are the availability of the wind farms and the sale of the related output. The availability is driven by the technical performance of the wind turbines and ancillary equipment, and the physical access to the wind farms. These risks determine the Company's ability to make loan repayments and to pay dividends when appropriate

Key performance indicators ('KPIs')

The directors of 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 8-9 of the 2010 annual report and accounts of the Group which does not form part of this report

Centrica (Lincs) Wind Farm Limited

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

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 2010 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 fixed assets to determine whether there is any indication that those assets have suffered an impairment.

The Company does not take part in hedging of any kind.

Results and dividends

The profit on ordinary activities after taxation for the period ended 31 December 2010 is £5,517,000 as set out on page 5. The directors do not recommend the payment of a final dividend.

Financial position

The financial position of the Company is presented in the balance sheet on page 6. Shareholders' funds at 31 December 2010 were £7,514,000.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Centrica plc. The directors have received confirmation that Centrica plc intends to support the company for at least one year after these financial statements are signed.

Directors

The following served as directors from incorporation up to the date of signing this report.

	Date of appointment	Date of resignation
A S Thompson	8 December 2009	
T Hinton	30 June 2010	
R M McCord	16 December 2010	
N F Monir	7 December 2009	8 December 2009
Trusec Limited	7 December 2009	8 December 2009
B Wright	7 December 2009	8 December 2009
S E Wheeler	8 December 2009	16 December 2010
J Spence	8 December 2009	30 June 2010

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. The insurance does not provide cover in the event that the director is proved to have acted fraudulently.

Centrica (Lincs) Wind Farm Limited

Directors' report for the period 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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.

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 2011



For and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 07097280

Registered Office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica (Lincs) Wind Farm Limited

Independent auditors' report to the members of Centrica (Lincs) Wind Farm Limited

We have audited the financial statements of Centrica (Lincs) Wind Farm Limited for the period 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 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 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 profit for the period 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 period 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 French (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2011

Centrica (Lincs) Wind Farm Limited

Profit and loss account for the period ended 31 December 2010

		Period ended 31 December 2010
	Note	£'000
Administration expenses		(9)
Operating loss	5	<u>(9)</u>
Interest receivable and similar income	6	5,526
Profit on ordinary activities before taxation		<u>5,517</u>
Tax on profit on ordinary activities	7	-
Retained profit for the period		<u><u>5,517</u></u>

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 period stated and their historical cost equivalents

All activities relate to continuing operations

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

Centrica (Lincs) Wind Farm Limited

Balance sheet as at 31 December 2010

	Note	31 December 2010 £'000
Fixed assets		
Investment in joint venture	8	119,625
Current liabilities		
Creditors – amounts falling due within one year	9	(112,111)
Net current liabilities		<u>(112,111)</u>
Net assets		<u><u>7,514</u></u>
Capital and reserves		
Called up share capital	10	1,000
Share premium account	11	997
Profit and loss account	11	5,517
Equity shareholders' funds	12	<u><u>7,514</u></u>

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

The financial statements on pages 5 to 13 were approved and authorised for issue by the Board of Directors on 28 June 2011 and were signed on its behalf by



Thomas Hinton
Director

Centrica (Lincs) Wind Farm Limited

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

1 Principal accounting policies

Accounting principles

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

Basis of preparation

On incorporation the Company set its year end for 31 December and these financial statements are therefore drawn up for the 12-month and 25-day period ended 31 December 2010.

The directors believe that the going concern basis is applicable for the preparation of the accounts as the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. In particular the amounts owed to Group undertakings will not be required to be repaid for the foreseeable future.

Investments in joint venture undertaking

Fixed asset investments are shown at cost less any provision for impairment. Investments consist of an equity interest in a joint venture.

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.

Foreign currency

The financial statements of the Company are presented in pounds 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. All differences are included in the profit and loss account for the period. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency of the Company are translated using the exchange rates as at the dates of the initial transactions.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Centrica (Lincs) Wind Farm Limited

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

1 Principal accounting policies (continued)

Loans

Loans receivable are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the loan. They are subsequently 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.

Taxation

Current tax, including UK corporation tax and foreign 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.

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 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.

Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of Centrica Renewable Energy 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 (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.

2 Segmental reporting

The Company's activities consist solely of holding its investment in its joint venture and occur wholly within the United Kingdom.

3 Directors' emoluments

The directors received no emoluments in respect of their services to the Company during the period, as they were employed by other Group companies. No recharges of emoluments are made to the Company, as it is not possible to accurately apportion them and accordingly no amounts are included in the financial statements for these individuals. All of the directors who served during the period, with the exception of R. M. McCord, are members of the ultimate parent undertaking's defined benefit pension scheme.

Centrica (Lincs) Wind Farm Limited

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

4 Employee information

The Company has no employees and no staff costs. Any costs relating to employees are borne by other Centrica group companies.

5 Operating loss

Auditors' remuneration totalling £9,000 relates to fees for the audit of the UK GAAP statutory accounts of the Company 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 the Company.

6 Interest receivable and similar income

	Period to 31 December
	2010
	£'000
Interest receivable from joint venture	5,526

Centrica (Lincs) Wind Farm Limited

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

7 Tax on profit on ordinary activities

(a) Analysis of tax charge for the period

	Period to 31 December 2010 £'000
The tax charge comprises :	
Current tax	
- UK corporation tax at 28%	-
Deferred tax	
- Origination and reversal of timing differences	-
Total tax on profit on ordinary activities	-

(b) Factors affecting the tax charge for the period

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

	Period to 31 December 2010 £'000
Profit on ordinary activities before tax	5,517
Tax on profit on ordinary activities at standard UK corporation tax rate of 28%	1,545
Effects of	
UK UK transfer pricing adjustment	3
Group relief for nil consideration	(1,548)
Current tax charge for the period	-

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 1 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 financial statements is nil as no deferred tax arises.

Centrica (Lincs) Wind Farm Limited

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

8 Investment in joint venture

	Investment in joint venture £'000	Loan to joint venture £'000	Total £'000
Cost			
At 7 December 2009	-	-	-
Addition	1,997	-	1,997
Loans	-	117,628	117,628
At 31 December 2010	1,997	117,628	119,625

On 28 June 2010, the Company acquired a 50% interest in the ordinary share capital of Lincs Wind Farm Limited, a company registered in Scotland, from Centrica Renewable Energy Limited, its immediate parent company for £1,997,000. The consideration was settled by the issue of 1 million shares with a nominal value of £1 each in the Company. The remaining shares in Lincs Wind Farm Limited are controlled by Lincs Renewable Energy Holdings Limited, a company registered in England and Wales. Lincs Renewable Energy Holdings Limited is a joint venture between Dong Wind I (UK) Limited (50%), a company registered in England and Wales, and Siemens Project Ventures GmbH (50%), a company registered in Germany. The Lincs Wind Farm Limited Shareholders' Agreement between the Company and Lincs Renewable Energy Holdings Limited includes a One Share Call Option (note 14).

On 5 February 2010, the Company's parent undertaking, Centrica Renewable Energy Limited, loaned £100,704,000 to Lincs Wind Farm Limited. Of this amount, 50% was novated the same day to Lincs Renewable Energy Holdings Limited. On 1 June 2010, Centrica Renewable Energy Limited novated its 50% share of the loan (£50,352,000 plus accrued interest of £1,440,000) to the Company. On 30 September 2010, the Company granted a loan facility of £75 million to Lincs Wind Farm Limited, of which Lincs Wind Farm Limited had borrowed £61,750,000 at 31 December 2010. The loans are unsecured, bear interest of 9% per annum and are repayable in full on 31 December 2030 or before as agreed between the joint venture partners. Interest of £5,526,000 had accrued on the loans at 31 December 2010.

The Company, together with Lincs Renewable Energy Holdings Limited, has committed to provide further funding to Lincs Wind Farm Limited as equity or shareholder loans. The Company's share of this commitment is at least £74,500,000.

Lincs Wind Farm Limited made a loss after taxation of £2,818,000 in the year ended 31 December 2010 (2009 loss of £1,064,000). The equity shareholders' deficit of Lincs Wind Farm Limited at 31 December 2010 was £1,010,000 (2009 equity shareholders' funds of £81,808,000).

9 Creditors - amounts falling due within one year

	2010 £'000
Loan from Group undertaking	112,102
Accruals	9
	112,111

The loan from the Group undertaking is interest-free, unsecured and repayable on demand.

Centrica (Lincs) Wind Farm Limited

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

10 Called up share capital

	2010 £
Allotted and fully paid	
1,000,001 ordinary shares of £1 each	<u>1,000,001</u>

On, 1 June 2010, 1,000,000 ordinary shares of £1 each were issued and allotted by the Company to Centrica Renewable Energy Limited, a fellow Group undertaking, as consideration for, and upon completion of, the transfer by Centrica Renewable Energy Limited of 50% of the issued share capital of Lincs Wind Farm Limited to the Company

11 Reserves

	Profit and loss account £'000	Share premium £'000	Total £'000
As at 7 December 2009	-	-	-
Issue of share capital (note 12)	-	997	997
Retained profit for the financial period (note 12)	<u>5,517</u>	-	<u>5,517</u>
As at 31 December 2010	<u>5,517</u>	<u>997</u>	<u>6,514</u>

12 Reconciliation of movements in equity shareholders' funds

	Period ended 31 December 2010 £'000
Opening equity shareholders' funds	-
Issue of share capital (note 10)	1,000
Share premium (note 11)	997
Retained profit for the financial period (note 11)	<u>5,517</u>
Closing equity shareholders' funds	<u>7,514</u>

13 Related parties

On 5 February 2010, the Company's parent undertaking, Centrica Renewable Energy Limited, loaned £100,704,000 to Lincs Wind Farm Limited. Of this amount, 50% was novated the same day to Lincs Renewable Energy Holdings Limited. On 1 June 2010, Centrica Renewable Energy Limited novated its 50% share of the loan (£50,352,000 plus accrued interest of £1,440,000) to the Company. On 30 September 2010, the Company granted a loan facility of £75 million to Lincs Wind Farm Limited, of which Lincs Wind Farm Limited had borrowed £61,750,000 at 31 December 2010. The loans bear interest of 9% p.a. and are repayable in full on 31 December 2030 or before as agreed between the joint venture partners. Interest of £5,526,000 had accrued on the loans at 31 December 2010.

Centrica (Lincs) Wind Farm Limited

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

14 Lincs Wind Farm Limited One Share Call Option

The Lincs Wind Farm Limited Shareholders' Agreement between the Company and Lincs Renewable Energy Holdings Limited includes a One Share Call Option. Lincs Renewable Energy Holdings Limited has the right to call for the transfer of a single share and an equivalent proportion of shareholder debt from the Company in certain circumstances.

The Lincs Renewable Energy Holdings Limited Option is exercisable only once and it lapses immediately if DONG Energy A/S ceases to control DONG Wind I (UK) Limited, or if DONG Wind I (UK) Limited ceases (directly or indirectly) to hold at least 50% of the shares in Lincs Renewable Energy Holdings Limited. This option becomes exercisable only after 31 December 2011 and may be exercised on one of the following occasions:

- (a) if Lincs Renewable Energy Holdings Limited expects (in good faith and acting reasonably) that the Wind Farm will become operational in 2012, it may exercise its option between 1 January and 31 March 2012 (the "Initial Exercise Period"), or
- (b) if Lincs Renewable Energy Holdings Limited does not choose to exercise its option during the Initial Exercise Period, it may postpone the exercise of its option (provided this is done during the Initial Exercise Period) and exercise or postpone the option between 1 January and 31 March in each subsequent year.

The Lincs Renewable Energy Holdings Limited Option finally lapses on 31 March in the year falling after the date on which the Lincs Wind Farm becomes operational.

If Lincs Renewable Energy Holdings Limited exercises its option, it must pay to the Company an amount corresponding to the book value of the equity capital and stapled shareholder loans represented by the Lincs Wind Farm Limited share which is to be transferred to Lincs Renewable Energy Holdings Limited at the time of the exercise of the Lincs Renewable Energy Holdings Limited Option.

If DONG Wind I (UK) Limited no longer holds more than 50% of the shares in Lincs Renewable Energy Holdings Limited, the Company has the right to reacquire the one share and stapled debt for an amount corresponding to the book value of the equity capital and stapled shareholder loans represented by the Lincs Wind Farm Limited share at that time.

15 Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Centrica plc. The directors have received confirmation that Centrica plc intends to support the company for at least one year after these financial statements are signed.

16 Ultimate parent undertaking

The Company's immediate parent undertaking is Centrica Renewable Energy 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.