

Registered Number: 07103802

Centrica Energy Renewable Investments Limited

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



Centrica Energy Renewable Investments Limited

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

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Centrica Energy Renewable Investments Limited

Directors' report for the period ended 31 December 2010

The directors present their first report and the audited financial statements of Centrica Energy Renewable Investments Limited ("the Company") for the period ended 31 December 2010

Principal activities

The principal activity of the Company is the construction and operation of offshore wind farms

The Company was incorporated on 14 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 18-day period ("the period") ended 31 December 2010

Review of business and future developments

During the financial period, the Company continued its strategic approach to identifying suitable sites for offshore wind farms within the Irish Sea Zone following the award of the zone from The Crown Estate Round Three leasing round. The Irish Sea Zone covers an area of approximately 2,200 km² and could potentially deliver approximately 4GW of renewable generation capacity

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are those relating to the project. If, as a result of the Company's assessment of the viability of the project, it transpires that it is not viable to proceed, the costs incurred to date may have to be written off.

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

Key performance indicators

The directors of the Centrica 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 8-9 of the 2010 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. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business.

- Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly
- Liquidity risk is managed through funding arrangements with Centrica plc

The Company did not take part in hedging of any kind during the period.

Results and dividends

The results of the Company are set out on page 5. The loss for the financial period ended 31 December 2010 is £953,000. No dividends were paid during the financial period. 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. The shareholders' deficit at 31 December 2010 was £953,000.

Centrica Energy Renewable Investments Limited

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

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 during the financial period and up to the date of signing this report:

	Date of appointment	Date of resignation
G S Collinson	14 December 2009	
A S Thompson	14 December 2009	
T Hinton	30 June 2010	
D A J Crowther	16 December 2010	
J Spence	14 December 2009	30 June 2010
S E Wheeler	14 December 2009	16 December 2009

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

Creditor payment policy

It is the Company's policy to pay all of its creditors in accordance with the policies set out below:

- 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 Energy Renewable Investments 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 period. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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.

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 07103802

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica Energy Renewable Investments Limited

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

We have audited the financial statements of Centrica Energy Renewable Investments 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 loss 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 Energy Renewable Investments Limited

Profit and loss account for the period ended 31 December 2010

	Note	Period ended 31 December 2010 £'000
Administrative expenses		(953)
Loss on ordinary activities before taxation	4	(953)
Tax on loss on ordinary activities	7	-
Loss for the financial period	12	(953)

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

There is no difference between the loss on ordinary activities before taxation and the loss for the period stated and their historical cost equivalents

All activities relate to continuing operations

The notes on pages 7 to 12 form part of these financial statements

Centrica Energy Renewable Investments Limited

Balance sheet as at 31 December 2010

	Note	2010 £'000
Fixed assets		
Tangible assets	8	5,551
Current assets		
Debtors	9	15
Creditors – amounts falling due within one year	10	(6,519)
Net current liabilities		<u>(6,504)</u>
Total assets less current liabilities		(953)
Net liabilities		<u><u>(953)</u></u>
Capital and reserves		
Called up share capital	11	-
Profit and loss account	12	(953)
Total shareholders' deficit	13	<u><u>(953)</u></u>

The notes on pages 7 to 12 form part of these financial statements

The financial statements on pages 5 to 12 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 Energy Renewable Investments Limited

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

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 United Kingdom Accounting Standards and the Companies Act 2006. The principal accounting policies are set out below.

Basis of preparation

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.

Tangible 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 asset is brought into use, the associated cost will be transferred to plant and machinery, and the asset will begin to be depreciated on a straight-line basis over its useful economic life.

Payments on account represent payments that the Company has made in respect of tangible assets for which it has not yet taken delivery. The assets have not yet been employed by the Company, and accordingly no depreciation charge is recognised for this class of asset. On delivery, the payments on account are reclassified to the relevant asset class and depreciated in accordance with the policy of that class.

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 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.

Centrica Energy Renewable Investments Limited

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

1 Principal accounting policies (continued)

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

2 Cash flow statements 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

3 Segmental reporting

The Company's activities consist solely of developing wind farms and occur wholly within the United Kingdom

4 Loss on ordinary activities before taxation

Auditors' remuneration was £12,000 and relates to fees for the audit of the UK GAAP statutory financial statements of Centrica Energy Renewable Investments Limited and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of Centrica Energy Renewable Investments Limited

5 Directors' emoluments

The directors received no emoluments in respect of their services to the Company during the period, as they were employed by other Centrica 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 financial period are members of the ultimate parent company's defined benefit pension scheme

Centrica Energy Renewable Investments Limited

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

6 Employee information

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

7 Taxation on loss on ordinary activities

	2010 £'000
(a) Analysis of tax charge for the period	
The tax charge comprises	
Current tax:	
United Kingdom corporation tax at 28%	-
Total current tax	<u>-</u>
Deferred tax	
Origination and reversal of timing differences	-
Total tax on loss on ordinary activities	<u><u>-</u></u>

(b) Factors affecting the tax charge for the period

The tax assessed for the period differs from that calculated at the standard rate of corporation tax in the UK (28%). The differences are explained below.

	2010 £'000
Loss on ordinary activities before tax	(953)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28%	(267)
Effects of	
Losses not recognised for tax purposes	<u>267</u>
Total current tax charge for the period	<u><u>-</u></u>

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 the deferred tax has not been recognised.

Centrica Energy Renewable Investments Limited

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

8 Tangible assets

	Payments on account and assets under construction £'000
Cost	
At 14 December 2009	-
Additions	5,551
At 31 December 2010	5,551
Net book value	
At 31 December 2010	5,551

9 Debtors

	2010 £'000
Value Added Tax	15

Deferred taxation

The deferred corporation tax provision / (asset) at 27% is analysed as follows

	Provided At 31 Dec 10 £'000	Unprovided At 31 Dec 10 £'000
Deferred corporation tax		
- accelerated capital allowances	-	-
- other timing differences	-	(257)
	-	(257)

The unrecognised deferred tax asset of £257,000 relates to pre-trading expenditure

Centrica Energy Renewable Investments Limited

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

10 Creditors - amounts falling due within one year

	2010 £'000
Trade creditors	313
Accruals	457
Amounts owed to Group undertakings	<u>5,749</u>
	<u>6,519</u>

Amounts owed to Group undertakings are unsecured, interest-free and repayable on demand

11 Called up share capital

	2010 £
Allotted and fully paid	
100 ordinary shares of £1 each	<u>100</u>

12 Profit and loss account

	Profit and loss account £'000	Total £'000
At 14 December 2009	-	-
Loss for the financial period	<u>(953)</u>	<u>(953)</u>
At 31 December 2010	<u>(953)</u>	<u>(953)</u>

13 Reconciliation of movements in shareholders' deficit

	Period ended 31 December 2010 £'000
Opening shareholders' funds	-
Loss for the financial period	<u>(953)</u>
Closing shareholders' deficit	<u>(953)</u>

Centrica Energy Renewable Investments Limited

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

14 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.

15 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.