

BILBSTER WIND FARM LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Registered number: 05800286

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Bilbster Wind Farm Limited
Directors' report and financial statements

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Directors' report for the year ended 31 December 2009

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2009

Principal activities

The principal activity of the Company is the operation of a wind farm at Caithness, Scotland

Business review

The expenses of the Company such as filing and audit fees have been, and will continue to be met by the parent company

The principal risk and uncertainty facing the business is that in the event average wind speeds fall significantly below expectations, this would have a negative impact on revenues and cash flows

The results for the year are dealt with on page 6 of the financial statements. The profit on ordinary activities after taxation for the year ended 31 December 2009 was £391,384 (2008 £84,843)

The position of the Company as at 31 December 2009 is provided on page 7 of the financial statements. The net assets for the company the current year was £470,671 (2008 £79,287)

Future developments

The wind farm in Caithness is expected to continue to generating electricity in 2010

Dividends

The directors do not recommend payment of a dividend (2008 £nil)

Financial risk management

(a) Interest rate risk

The company's exposure to interest rate risk is limited to interest charged on loans made from other group companies

(b) Currency risk

All of the Company's transactions and balances are denominated in sterling and the company is therefore not exposed to currency risk

(c) Price risk

The company has no significant exposure to price risk

(d) Credit risk

The Company has no significant exposure to credit risk

(e) Liquidity and cash flow risk

The Company is not exposed to liquidity and cash flow risk as the Company continues to receive this financial support from the parent company. The parent company will not seek repayment, or charge interest upon, during construction of the wind farm and the commencement of commercial operations

Directors' report for the year ended 31 December 2009 (continued)

Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements were as follows

P Cowling (resigned 30 April 2010)
K Moseley
W Cranstone
J Lynch-Williams (appointed 1 May 2010)

According to the register required to be kept under section 809 of the Companies Act 2006, none of the directors held any interest in the share options or debentures of RWE Innogy group companies incorporated in the UK at the end of the financial year. As permitted by statutory instrument, the register does not include shareholdings of directors in companies incorporated outside Great Britain.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the immediate parent company RWE Innogy (UK) Limited. The directors have received confirmation that RWE Innogy (UK) Limited intend to support the company for at least one year after these financial statements are signed.

Directors' responsibilities statement

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,

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.

Director's report for the year ended 31 December 2009 (continued)

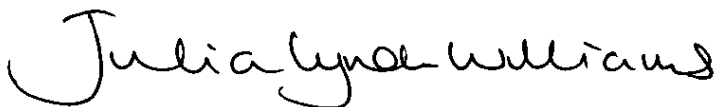
Statement of disclosure of information to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the board



J Lynch-Williams
Director

Auckland House
Lydiard Fields
Great Western Way
Swindon, Wiltshire
SN5 8ZT

16 September 2010

Company registered number 05800286

Independent auditors' report to the members of Bilbster Wind Farm Limited

We have audited the financial statements of Bilbster Wind Farm Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 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 2009 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

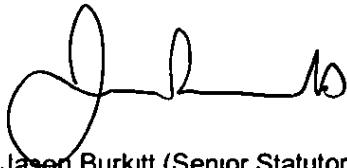
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Bilbster Wind Farm Limited (continued)

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



Jason Burkitt (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 September 2010

Bilbster Wind Farm Limited
Directors' report and financial statements

Profit and loss account
For the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover		524,072	295,610
Other operating income		482,886	408,841
Cost of sales		(285,896)	(230,040)
Gross Profit		721,062	474,411
Administrative expenses		15,990	(83,561)
Operating profit		737,052	390,850
Interest receivable and similar income		4,196	-
Interest payable and similar charges	5	(182,651)	(275,754)
Profit on ordinary activities before taxation		558,597	115,096
Tax on profit on ordinary activities	6	(167,213)	(30,253)
Profit for the financial year	13	391,384	84,843

The above results all arise from continuing operations

The Company has no recognised gains or losses other than those included in the profit and loss account above and therefore a separate statement of total recognised gains and losses has not been presented

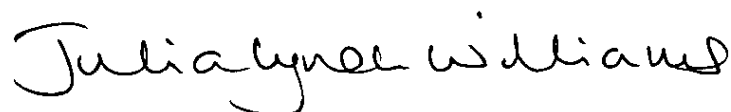
There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

Bilbster Wind Farm Limited
Directors' report and financial statements

Balance sheet
As at 31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Tangible assets	7	5,037,040	5,220,651
		5,037,040	5,220,651
Current assets			
Debtors	8	647,326	1,344,449
Cash at bank and in hand		(398,940)	(424,440)
Total current assets		248,386	920,009
Creditors: amounts falling due within one year	9	(4,678,157)	(5,826,090)
Net current liabilities		(4,429,771)	(4,906,081)
Total current assets less current liabilities		607,269	314,570
Provision for liabilities	10	(22,010)	(32,528)
Deferred taxation	11	(114,588)	(202,755)
Net assets		470,671	79,287
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	470,670	79,286
Total shareholders' funds	14	470,671	79,287

The financial statements on pages 6 to 14 were approved by the board of directors and signed on its behalf by



J Lynch-Williams
Director

16 September 2010

Notes to the financial statements for the year ended 31 December 2009 (continued)

1. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Notwithstanding the net current liability position of the Company at the year end, the going concern basis is considered to be appropriate by the directors as the parent company has committed to providing financial support for any financial obligations falling due within the next 12 months.

Turnover

Turnover is stated net of value added tax and is generated entirely within the United Kingdom.

Turnover represents income from the generation of electricity from operational wind farm and hydro sites.

Renewables Obligation Certificates

Renewables Obligation Certificates granted to the Company are recognised within other operating income as eligible electricity is generated. They are recognised as current intangible assets, grouped within accrued income. They are held at the best estimate of the prevailing market value at the year end. As the Company does not have any Renewables Obligation, there are contracts for the sale of these assets to other group undertakings at the end of the compliance period.

Finance income and cost

Finance income is recognised as income in the period in which it is earned. Finance cost is recognised as an expense in the period in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation of tangible fixed assets is provided on a monthly basis to write off the cost less the estimated residual value of the assets by equal instalments over their estimated useful economic life as follows:

Wind farms	20 years
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Wind farms are not depreciated until they become operational.

Financial instruments

The Company is exempt from the disclosure requirements of FRS 25 on the basis that it is a wholly owned subsidiary of RWE AG.

Notes to the financial statements for the year ended 31 December 2009 (continued)

Related party transactions

The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the RWE AG Group

Provisions for liabilities and charges

Provisions are recognised on the balance sheet using the valuation based on the most probable outcome which is then discounted as at the balance sheet date. Any discount unwound is recognised as a financing charge within interest payable and similar charges.

Cash flow statement

The Company is a wholly owned subsidiary of RWE AG and is included in the consolidated financial statements of that Company, 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 ("FRS") 1 (revised 1996).

Foreign currency

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Operating leases

Rentals payable under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account evenly over the term of the lease.

Taxation

The charge for taxation is based on the profit for the financial year and takes into account deferred taxation.

Deferred taxation

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events that result in an obligation to pay more tax in the future have occurred by the balance sheet date. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Deferred tax is measured at the average tax rates that are expected to apply in the years 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 assets and liabilities are not discounted.

2. Operating profit

	2009	2008
	£	£
Operating profit is stated after charging		
Depreciation of owned tangible fixed assets	271,626	225,000
Operating lease costs – land rent	10,651	-

Audit fees of £6,000 (2008: £6,000) were borne by another group company and not recharged.

Notes to the financial statements for the year ended 31 December 2009 (continued)

3. Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company (2008 £nil)

4. Employee information

Other than the directors, the Company had no employees for the year under review (2008 none)

5 Interest payable and similar charges

	2009 £	2008 £
Bank interest payable	8,994	96,862
Interest payable on intercompany loans	172,207	178,892
Decommissioning provision – unwind of discount (Note 10)	1,450	-
	182,651	275,754

6. Tax on profit on ordinary activities

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

	2009 £	2008 £
Current tax:		
Group relief payable/(receivable)	224,949	(172,502)
Adjustment in respect of prior periods	30,431	-
Tax current tax (see below)	255,380	(172,502)
Deferred tax (see note 11)		
Origination and reversal of timing differences	(61,824)	202,755
Adjustment in respect of prior periods	(26,343)	-
Total deferred tax	(88,167)	202,755
Tax on profit on ordinary activities	167,213	30,253

The tax assessed for the year is higher than (2008 lower than) the standard rate of corporation tax in the UK 28% (2008 28.5%) The differences are explained below

Notes to the financial statements for the year ended 31 December 2009 (continued)

6 Tax on profit on ordinary activities (continued)

	2009 £	2008 £
Profit on ordinary activities before taxation	558,597	115,096
Profit on ordinary activities multiplied by the standard rate in the UK – 28% (2008 28.5%)	156,407	32,802
Expenses not deductible for tax	861	-
(IBA's in excess of depreciation)/depreciation in excess of IBAs	5,857	1,072
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	61,824	(202,755)
Adjustment in respect of prior periods	30,431	-
Impact of change in the UK tax rate	-	(3,621)
Current tax charge/(credit) for the year	255,380	(172,502)

The standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008

A number of changes to the UK Corporation Tax system were announced in the 2010 Budget Report which have been enacted in the 2010 Finance Act. The impact of these is not considered to be material to the future tax charge in the UK.

Further changes were announced in the UK Government's Emergency Budget on 22 June 2010. This included a reduction in the main corporation tax rate from the current 28% to 24% comprising a 1% per annum reduction over the course of a four year period commencing from 1 April 2011. In addition, the rates of capital allowances on assets in the main and special pools are expected to fall from 20% to 18% and from 10% to 8% respectively from 1 April 2012. The Directors are in the process of evaluating the impact these changes will have on future tax charges.

On 20 July 2010 Finance (No 2) Act 2010 was substantively enacted which includes the reduction in the Corporation Tax rate from 28% to 27% with effect from 1 April 2011.

7 Tangible fixed assets

	Decommissioning asset £	Wind farm £	Total £
Cost			
At 1 January 2009	32,528	5,413,123	5,445,651
Additions	-	99,982	99,982
Disposals	(11,967)	-	(11,967)
At 31 December 2009	20,561	5,513,105	5,533,666
Accumulated depreciation			
At 1 January 2009	-	(225,000)	(225,000)
Charge for the year	(1,626)	(270,000)	(271,626)
At 31 December 2009	(1,626)	(495,000)	(496,626)
Net book value at 31 December 2009	18,935	5,018,105	5,037,040
Net book value at 31 December 2008	32,528	5,188,123	5,220,651

Notes to the financial statements for the year ended 31 December 2009 (continued)

8 Debtors: amounts falling due within one year

	2009 £	2008 £
Amounts owed by parent undertaking	-	1,168,950
Amounts owed by group undertakings	317,035	174,103
Other debtors	330,291	1,396
	647,326	1,344,449

Amounts owed by the parent undertaking are unsecured and repayable on demand

Amounts owed by group undertakings include £nil (2008 £172,502) of group relief receivable

9 Creditors amounts falling due within one year

	2009 £	2008 £
Amounts owed to parent undertaking	4,138,429	5,345,251
Amounts owed to group undertakings	297,655	302,763
Accruals and deferred income	192,827	178,076
Other taxation and social security	49,246	-
	4,678,157	5,826,090

Included in amounts owed to parent undertaking is a loan of £4,019,899 (2008 £4,788,708) which is repayable within one year. Interest is charged at LIBOR plus 0.5% (2008 LIBOR plus 0.5%)

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

Amounts owed to group undertakings include £255,380 (2008 £nil) of group relief payable

10 Provisions for liabilities

	At 1 January 2009 £	Unwind during the year £	Change in estimate £	At 31 December 2009 £
Decommissioning provision	32,528	1,450	(11,968)	22,010

The provision for the decommissioning of wind farms represents the net present value of the Company's best estimate of the costs to decommission the wind farms at the end of their useful economic life. The provision has been discounted to its present value at 4.46% (2008 3.91%)

Notes to the financial statements for the year ended 31 December 2009 (continued)

11. Deferred taxation

	2009 £	2008 £
Analysis of deferred tax balance		
Timing differences in respect of capital allowances	114,588	202,755
	2009 £	2008 £
Deferred tax brought forward	202,755	-
(Credit)/charge for the year (see note 6)	(88,167)	202,755
Closing provision	114,588	202,755

12. Called up share capital

	2009 £	2008 £
Allotted and fully paid*		
1 ordinary share of £1 par value	1	1

The Company updated its Articles of Association on 18 December 2009 to reflect the Companies Act 2006 which came into force in October 2009 which has resulted in changing the authorised share capital. Authorised share capital is now uncapped.

13. Profit and loss account

	2009 £	2008 £
Opening balance	79,286	(5,557)
Profit for the financial year	391,384	84,843
Closing balance	470,670	79,286

14. Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Opening shareholders' funds/(deficit)	79,287	(5,556)
Profit for the financial year	391,384	84,843
Closing shareholders' funds	470,671	79,287

15. Financial commitments

At 31 December 2009, the Company had annual commitments of £9,000 (2008: £nil) under non-cancellable operating leases for land which expire after more than 5 years.

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Ultimate parent undertaking and controlling party

The immediate parent company is RWE Npower Renewables Limited, a company incorporated in Great Britain

The ultimate parent company and controlling party is RWE AG, a company incorporated in Germany, which is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the RWE AG consolidated financial statements can be obtained from RWE AG, Opernplatz 1, 45128, Essen, Germany