Registered Number: 04942184

Centrica (DSW) Limited

Annual report and Financial Statements
For the year ended 31 December 2010

Centrica (DSW) Limited

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

Contents

Centrica (DSW) Limited

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of Centrica (DSW) Limited ("the Company") for the year ended 31 December 2010

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

Review of business and future developments
During the year construction has continued as planned

The Company submitted an application for consent to the Department of Energy and Climate Change (DECC) in December 2008 for its development of the Docking Shoal offshore wind farm on the Greater Wash strategic development area designated by the UK Government and subsequently submitted Supplementary Environmental Information (SEI) in September 2009 At present, the Company is expecting a final decision on consent by 31 December 2011 It is planned that the Docking Shoal Offshore Wind Farm project will have a maximum installed capacity of up to 540MW, which will feed into the national transmission system at the Walpole substation

The Company continues to liaise with the relevant authorities regarding the consents application

The Company has taken advantage of the provisions of the Companies Act 2006 (the "Act") to abolish the requirement to have an authorised share capital A Special Resolution was passed by the Company's sole member on 14 January 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association

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

The principal risks and uncertainties facing the Company are those in respect of the design and construction contract for the wind farm, the consents and approvals needed to allow the wind farm to operate and other risks in respect of the design and construction of the equipment

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

- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits Credit risk is predominantly limited to exposures with other Centrica group undertakings
- 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 in 2010 (2009 £nil), The Company would hedge foreign currency risk if the need arose

Results and dividends
The results of the Company are set out on page 5 The loss for the financial year ended 31 December 2010 is £168,000 (2009 £411,000) No dividends were paid during the financial year The directors do not recommend the payment of a final dividend (2009 £nil)

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

Financial position
The financial position of the Company is presented in the balance sheet on page 6 The total shareholders' deficit at 31 December 2010 was £1,475,000 (2009 £1,307,000)

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

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 year and up to the date of signing this report

G S Collinson	
A S Thompson	
T Hinton	Appointed 30 June 2010
D A J Crowther	Appointed 16 December 2010
J Spence	Resigned 30 June 2010
S E Wheeler	Resigned 16 December 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 financial year under review The insurance does not provide cover in the event that the director is proved to have acted fraudulently

Centrica (DSW) Limited

Directors' report for the year 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 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

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 04942184

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica (DSW) Limited

Independent auditors' report to the members of Centrica (DSW) Limited

We have audited the financial statements of Centrica (DSW) Limited for the year 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 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

Richard French (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2011

Centrica (DSW) Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Administrative expenses		(165)	(409)
Operating loss		(165)	(409)
Interest payable and similar charges	7	(3)	(2)
Loss on ordinary activities before taxation	4	(168)	(411)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	14	(168)	(411)

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 year stated and their historical cost equivalents

All activities relate to continuing operations

The notes on pages 7 to 14 form part of these financial statements

Centrica (DSW) Limited

Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	9	**7,315**	7,091
Current assets			
Debtors	10	**-**	4
Creditors – amounts falling due within one year	11	**(8,624)**	(8,243)
Net current liabilities		**(8,624)**	(8,239)
Total assets less current liabilities		**(1,309)**	(1,148)
Provisions for liabilities	12	**(166)**	(159)
Net liabilities		**(1,475)**	(1,307)
Capital and reserves			
Called up share capital	13	**-**	-
Profit and loss account	14	**(1,475)**	(1,307)
Total shareholders' deficit	15	**(1,475)**	(1,307)

The notes on pages 7 to 14 form part of these financial statements

The financial statements on pages 5 to 14 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 (DSW) Limited

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

1Principal 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

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

Abandonment provision and decommissioning asset
Provision is made for the net present value of the estimated cost of decommissioning the asset at the end of its useful life, based on price levels and technology at the balance sheet date

Changes in these estimates and changes to the discount rates are dealt with prospectively

When this provision gives access to future economic benefits, a decommissioning asset is recognised and included within tangible fixed assets The decommissioning asset is amortised on a straight-line basis over the useful life of the wind farm from the date that the asset is brought into use

The unwinding of the discount on the provision is included in the profit and loss account within interest payable

2Cash 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

3Segmental reporting

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

4Loss on ordinary activities before taxation

Auditors' remuneration was £10,000 (2009 £10,000) and relates to fees for the audit of the UK GAAP statutory accounts of Centrica (DSW) 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 (DSW) Limited

5 Directors' emoluments

The directors received no emoluments in respect of their services to the Company during the year (2009 £nil), 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 year are members of the ultimate parent company's defined benefit pension scheme

6 Employee information

The Company has no employees and no staff costs (2009 £nil) Any costs relating to employees are borne by other Centrica group companies

Centrica (DSW) Limited

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

7 Interest payable and similar charges

	2010 £'000	2009 £'000
Unwinding of discount in abandonment provision	3	2

8 Taxation on loss on ordinary activities

	2010 £'000	2009 £'000
(a) Analysis of tax charge for the year		
The tax charge comprises		
Current tax:		
United Kingdom corporation tax at 28% (2009 28%)	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax on loss on ordinary activities	-	-

(b) Factors affecting the tax charge for the year
The tax assessed for the financial year differs from that calculated at the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation	**(168)**	(411)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	(47)	(115)
Effects of		
Losses not recognised for tax purposes	47	115
Total current tax charge for the year	-	-

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 (DSW) Limited

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

9 Tangible assets

	Payments on account and assets under construction £'000	Decommissioning asset £'000	Total £'000
Cost			
As at 1 January 2010	6,939	152	7,091
Revisions	-	4	4
Additions	220	-	220
As at 31 December 2010	**7,159**	**156**	**7,315**
Net book value			
At 31 December 2010	**7,159**	**156**	**7,315**
At 31 December 2009	6,939	152	7,091

10 Debtors

	2010 £'000	2009 £'000
Value Added Tax	**-**	4

11 Creditors - amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	**6**	286
Accruals	**27**	111
Amounts owed to Group undertakings	**8,591**	7,846
	8,624	8,243

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

12 Provisions for liabilities

	Abandonment provision £'000	Deferred taxation £'000	Total £'000
As at 1 January 2010	159	-	159
Additions / revisions	4	-	4
Profit and loss charge	3	-	3
As at 31 December 2010	**166**	**-**	**166**

Abandonment provision

The abandonment provision represents the future expected costs of decommissioning the asset at the end of its useful economic life, discounted to its present value The payment date of the total expected future decommissioning costs is uncertain but is currently anticipated to be 20 years after construction of the windfarm. The above provision relates solely to works performed on the site as at the balance sheet date In determining the provision the cash flows have been discounted on a pre-tax basis using an annual real interest rate of 1 6% (2009 1 6%) The assumed rate of inflation is 2 5% (2009 2 5%)

Deferred taxation

	As at 1 January 2010 £'000	Profit and loss charge/(credit) £'000	As at 31 December 2010 £'000
Deferred corporation tax			
- accelerated capital allowances	-	-	-
	-	-	-

The deferred corporation tax provision/(asset) at 27% (2009 28%) is analysed as follows

	Provided		Unprovided	
	At 31 Dec 10 £'000	At 31 Dec 09 £'000	At 31 Dec 10 £'000	At 31 Dec 09 £'000
Deferred corporation tax				
- accelerated capital allowances	-	-	-	-
- other timing differences	-	-	(403)	(371)
	-	-	(403)	(371)

The unrecognised deferred tax asset of £403,000 (2009 £371,000) relates to expenditure prior to any revenue generation

Centrica (DSW) Limited

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

13 Called up share capital

	2010	2009
	£	£
Authorised		
Nil ordinary shares of £1 each (2009 1,000 ordinary shares of £1 each)	-	1,000
Allotted and fully paid		
2 ordinary shares of £1 each	2	2

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital A Special Resolution was passed by the Company's sole member on 14 January 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association

14 Profit and loss account

	Profit and loss account £'000	Total £'000
At 1 January 2010	(1,307)	(1,307)
Retained loss for the financial year (note 15)	(168)	(168)
At 31 December 2010	**(1,475)**	**(1,475)**

15 Reconciliation of movements in shareholders' deficit

	2010	2009
	£'000	£'000
Loss for the financial year	**(168)**	(411)
Opening shareholders' deficit at 1 January	**(1,307)**	(896)
Closing shareholders' deficit at 31 December	**(1,475)**	(1,307)

16 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

17 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