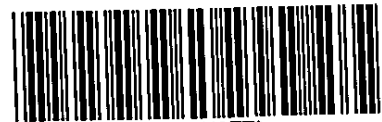


Registered Number: 04942184

Centrica (DSW) Limited

**Annual report and Financial Statements
For the year ended 31 December 2011**

THURSDAY



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Centrica (DSW) Limited

Annual report and Financial Statements for the year ended 31 December 2011

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Centrica (DSW) Limited

Directors' report for the year ended 31 December 2011

The Directors present their report and the audited financial statements of Centrica (DSW) Limited ("the Company") for the year ended 31 December 2011

Principal activities

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

Review of business and future developments

During the year development 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 ("Docking Shoal") project in 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 in June 2012. It is planned that the Docking Shoal 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.

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 plc group ("the Group") use a number of key performance indicators to monitor progress against the Group's strategy. The development and performance of the Group, which includes the Company, are discussed on pages 12-13 of the Annual Report and Accounts 2011 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 plc 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 group undertakings.

The Company did not take part in hedging of any kind (2010: £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 on ordinary activities after taxation for the year ended 31 December 2011 is £123,000 (2010: £168,000). No dividends were paid during the year (2010: £nil) and the Directors do not recommend the payment of a final dividend (2010: £nil).

Financial position

The financial position of the Company is presented in the balance sheet on page 6. The total shareholders' deficit at 31 December 2011 was £1,598,000 (2010: £1,475,000).

Centrica (DSW) Limited

Directors' report for the year ended 31 December 2011 (continued)

Going concern

The Directors believe that preparing the financial statement 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 year and up to the date of signing this report:

G S Collinson
D A J Crowther
T Hinton
A S Thompson

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 year 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 (DSW) Limited

Directors' report for the year ended 31 December 2011 (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 31 May 2012.



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 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 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.

Paul Ward (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 May 2012

Centrica (DSW) Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Administrative expenses		(120)	(165)
Operating loss		<u>(120)</u>	<u>(165)</u>
Interest payable and similar charges	7	(3)	(3)
Loss on ordinary activities before taxation	4	<u>(123)</u>	<u>(168)</u>
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	14	<u><u>(123)</u></u>	<u><u>(168)</u></u>

The Company has no recognised gains or 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 financial years 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 (DSW) Limited

Balance sheet as at 31 December 2011

	Note	2011 £000	2010 £000
Fixed assets			
Tangible assets	9	8,219	7,315
Current assets			
Debtors	10	3	-
Creditors - amounts falling due within one year	11	(9,647)	(8,624)
Net current liabilities		<u>(9,644)</u>	<u>(8,624)</u>
Total assets less current liabilities		(1,425)	(1,309)
Provisions for liabilities	12	<u>(173)</u>	<u>(166)</u>
Net liabilities		<u><u>(1,598)</u></u>	<u><u>(1,475)</u></u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	<u>(1,598)</u>	<u>(1,475)</u>
Total shareholders' deficit	15	<u><u>(1,598)</u></u>	<u><u>(1,475)</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 31 May 2012 and were signed on its behalf by


Thomas Hinton
Director

Centrica (DSW) Limited

Notes to the financial statements for the year ended 31 December 2011

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.

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

Basis of preparation

The Directors believe that the going concern basis is applicable for the preparation of the financial statements 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 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, and movements are included in the profit and loss account.

Centrica (DSW) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Principal accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively 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 substantively 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

2 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

Centrica (DSW) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Segmental reporting

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

4 Loss on ordinary activities before taxation

Auditors' remuneration was £9,200 (2010 £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 aggregate emoluments paid to directors in respect of their qualifying services were £232,788 (2010 £377,849). The aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services were £21,514 (2010 £7,378). There were 3 directors (2010 4) to whom retirement benefits are accruing under defined benefit pension schemes. There was 1 director (2010 1) to whom retirement benefits are accruing under a money purchase pension scheme. There were no directors (2010 1) who exercised share options relating to the ultimate parent company. There were 3 directors (2010 3) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme. The highest paid director received emoluments of £133,231 (2010 £173,285) and the Company contributed £8,224 (2010 £7,960) to their pension scheme. In the prior year, the highest paid director received shares in respect of qualifying services under a long-term incentive scheme and exercised share options. Some of these costs were born by other Centrica group companies

6 Employee information

The Company has no employees and no staff costs (2010 £nil). Any costs relating to employees are borne by other Centrica group companies

7 Interest payable and similar charges

	2011	2010
	£000	£000
Unwinding of discount in abandonment provision	<u>3</u>	<u>3</u>

Centrica (DSW) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Tax on loss on ordinary activities

	2011 £000	2010 £000
(a) Analysis of tax charge for the year		
The tax charge comprises		
Current tax:		
United Kingdom corporation tax at 26.5% (2010: 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 26.5% (2010: 28%). The differences are explained below

	2011 £000	2010 £000
Loss on ordinary activities before taxation	(123)	(168)
Tax on loss on ordinary activities at standard UK corporation tax rate of 26.5% (2010: 28%)	(33)	(47)
Effects of		
Losses not recognised for tax purposes	33	47
Total current tax charge for the year	-	-

A number of changes to the UK corporation tax system were announced in the March 2011 and the March 2012 Budget Statements. The main rate of corporation tax was reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. A further reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011 and a further reduction to 24% from 1 April 2012 was substantively enacted on 26 March 2012. Further reductions to the main rate are proposed to further reduce the rate by 1% per annum to 22% by 1 April 2014. The impact of these proposed changes on the financial statements would be nil since the company has no deferred tax balances.

Centrica (DSW) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 Tangible assets

	Payments on account and assets under construction £000	Decommissioning asset £000	Total £000
Cost			
As at 1 January 2011	7,159	156	7,315
Revisions	-	4	4
Additions	900	-	900
As at 31 December 2011	8,059	160	8,219
Net book value			
At 31 December 2011	8,059	160	8,219
At 31 December 2010	7,159	156	7,315

10 Debtors

	2011 £000	2010 £000
Value Added Tax	3	-

11 Creditors – amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	5	6
Amounts owed to Group undertakings	9,598	8,591
Accruals	44	27
	9,647	8,624

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

Centrica (DSW) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Provisions for liabilities

	Abandonment provision £000	Deferred tax provision £000	Total £000
As at 1 January 2011	166	-	166
Additions / revisions	4	-	4
Profit and loss charge	3	-	3
As at 31 December 2011	173	-	173

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 wind farm. 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% (2010: 1.6%). The assumed rate of inflation is 2.5% (2010: 2.5%).

Deferred taxation

	As at 1 January 2011 £000	Profit and loss charge/(credit) £000	As at 31 December 2011 £000
Deferred corporation tax	-	-	-
- accelerated capital allowances	-	-	-
	-	-	-

The deferred corporation tax provision / (asset) at 25% (2010: 27%) is analysed as follows

	Provided		Unprovided	
	At 31 Dec 11 £000	At 31 Dec 10 £000	At 31 Dec 11 £000	At 31 Dec 10 £000
Deferred corporation tax				
- accelerated capital allowances	-	-	-	-
- other timing differences	-	-	(393)	(403)
	-	-	(393)	(403)

The unrecognised deferred tax asset of £393,000 (2010: £403,000) relates mainly to pre-trading expenditure

Centrica (DSW) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Called up share capital

	2011 £	2010 £
Allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

14 Profit and loss account

	Profit and loss account £000	Total £000
At 1 January 2011	(1,475)	(1,475)
Loss for the financial year (note 15)	<u>(123)</u>	<u>(123)</u>
At 31 December 2011	<u>(1,598)</u>	<u>(1,598)</u>

15 Reconciliation of movements in shareholders' deficit

	2011 £000	2010 £000
Opening shareholders' deficit at 1 January	(1,475)	(1,307)
Loss for the financial year	<u>(123)</u>	<u>(168)</u>
Closing shareholders' deficit at 31 December	<u>(1,598)</u>	<u>(1,475)</u>

16 Going concern

The Directors believe that preparing the financial statements 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.