

Glens of Foudland Wind Farm Limited

Annual report and Financial Statements
For the year ended 31 December 2007

Registered Number: 4493791



Glens of Foudland Wind Farm Limited

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Glens of Foudland Wind Farm Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of Glens of Foudland Wind Farm Limited ("the Company") for the year ended 31 December 2007

Principal activities

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

Review of business and future developments

During the year the Company continued generation from its site in Aberdeenshire. The site comprises 20 1.3MW turbines, giving installed capacity of 26MW. Commercial generation is expected to continue for the foreseeable future.

Results and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2007 is £1,803,000 (2006 £1,473,000). The directors do not recommend the payment of a dividend (2006 £nil).

Principal risks and uncertainties

The company's principal risk is related to the availability of the wind farm which is driven by the technical performance of the wind turbines and ancillary equipment and access to the wind farm. Exposure to availability risk is minimised by certain guarantees received from the wind farm's maintenance contractor.

Sales of generated electricity and associated environmental credits are sold at market prices. A principal risk on the rate of return for the company is the exposure to the market price risk, however as sales are made to a related Centrica group company, management has decided not to hedge this risk.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors

The Directors in post during the year and as at the date of this report were as follows:

	Date of Appointment	Date of Resignation
S R Clark	8 October 2004	4 July 2007
M J Garstang	8 October 2004	30 June 2008
G Lane	8 October 2004	4 July 2007
A Bennett	28 April 2005	31 October 2007
A Thompson	4 July 2007	
S Wheeler	4 July 2007	
J Spence	31 October 2007	

Political and charitable donations

The Company made no political or charitable donations during the year (2006 £nil).

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.

Glens of Foudland Wind Farm Limited

Directors' report for the year ended 31 December 2007 (continued)

Risk management

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

The most significant risks faced by the Company in 2007 related to counterparty credit risk, commodity prices and liquidity risk, all of which arise in the Company's normal course of 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 companies.
- In respect of commodity prices, the risk is that market prices for commodities will move adversely thereby potentially reducing expected margins. As sales are made to a related Centrica group company, management has decided not to hedge this risk.
- Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with other Centrica group companies.

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Glens of Foudland Wind Farm Limited

Directors' report for the year ended 31 December 2007 (continued)

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

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually, and PricewaterhouseCoopers LLP will therefore continue in office

This report was approved by the Board on 2 October 2008



For and on behalf of
Centrica Secretaries Limited

Registered office
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

Glens of Foudland Wind Farm Limited

Independent Auditors' report to the Members of Glens of Foudland Wind Farm Limited

We have audited the financial statements of Glens of Foudland Wind Farm Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

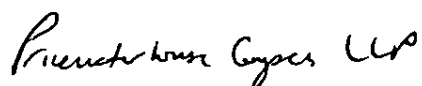
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

2 October 2008

Glens of Foudland Wind Farm Limited

Profit and loss account for the year ended 31 December 2007

		Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
	Notes		
Turnover	3	5,158	4,949
Cost of sales		(1,503)	(1,550)
Gross Profit		<u>3,655</u>	<u>3,399</u>
Administrative expenses		(551)	(664)
Operating profit	4	<u>3,104</u>	<u>2,735</u>
Interest payable and similar charges	7	(41)	(62)
Profit on ordinary activities before taxation		<u>3,063</u>	<u>2,673</u>
Tax on profit on ordinary activities	8	(1,260)	(1,200)
Retained profit for the year	14	<u><u>1,803</u></u>	<u><u>1,473</u></u>

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year 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

Glens of Foudland Wind Farm Limited

Balance sheet as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed Assets			
Tangible assets	9	22,545	23,775
Current assets			
Debtors	10	11,766	7,075
		<u>11,766</u>	<u>7,075</u>
Creditors – amounts falling due within one year	11	(24,716)	(24,409)
Net current liabilities		<u>(12,950)</u>	<u>(17,334)</u>
Total assets less current liabilities		<u>9,595</u>	<u>6,441</u>
Provisions for liabilities and charges	12	(5,288)	(3,937)
Net Assets		<u>4,307</u>	<u>2,504</u>
Capital and reserves			
Called-up share capital	13	-	-
Profit and loss reserve	14	4,307	2,504
Equity shareholders' funds	15	<u>4,307</u>	<u>2,504</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 2 October 2008 and were signed on its behalf by



J Spence
Director

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2007

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 1985. The principal accounting policies are set out below.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation. Depreciation is charged on all fixed assets, other than freehold land, at rates calculated to write-off the cost of each asset on a straight line basis over its expected useful life as follows for these asset classes:

- Plant and machinery	20 years
- Decommissioning asset	20 years

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.

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.

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Principal accounting policies (continued)

Turnover

Turnover is recognised on an accruals basis and relates to the sale of generated power and the associated Renewables Obligation Certificates (ROCs) and Levy Exemption Certificates (LECs) to a fellow Group undertaking

Decommissioning provision

Provision is made for the net present value of the estimated cost of decommissioning the wind farm 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 expense.

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 "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

All turnover relates to the principal activity of the business and occurs wholly in the United Kingdom.

4 Operating profit

	2007 £'000	2006 £'000
Operating profit is stated after charging.		
Depreciation	1,280	1,331
Auditors' fees	-	-

The audit fees of £5,000 during the year (2006: £5,000) were borne by another group company and not recharged.

5 Directors' emoluments

The directors received no emoluments during the year (2006: £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 year are members of the ultimate parent company's defined benefit pension scheme.

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Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Employee information

The Company has no employees and no staff costs (2006 nil) Any costs relating to employees are borne by other Centrica group companies

7 Interest payable and similar charges

	2007 £'000	2006 £'000
Unwinding of discount on decommissioning provision (note 12)	41	62

8 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
(a) Analysis of tax charge in the period		
The tax (charge) comprises		
Current tax		
United Kingdom corporation tax at 30% (2006 30%)	-	-
Total current tax	-	-
Deferred tax:		
Effect of change to corporation tax rate	229	-
Origination and reversal of timing differences	(506)	(1,200)
Adjustments in respect of prior years	(983)	-
Total tax on profit on ordinary activities	(1,260)	(1,200)

(b) Factors affecting the tax charge for the period

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	3,063	2,673
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	919	802
Effects of		
Expenses not deductible for tax purposes	28	-
Capital allowances in excess of Depreciation	(546)	(1,200)
Timing differences	12	62
Group relief for nil consideration	(132)	651
UK UK transfer pricing adjustment	(281)	(315)
Tax charge for the period	-	-

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Tangible assets

	Plant and machinery £'000	Decommissioning asset £'000	Total £'000
Cost			
As at 1 January 2007	23,718	1,918	25,636
Additions	-	50	50
As at 31 December 2007	23,718	1,968	25,686
Accumulated depreciation			
As at 1 January 2007	1,682	179	1,861
Charge for the year	1,186	94	1,280
At 31 December 2007	2,868	273	3,141
Net book value			
At 31 December 2007	20 850	1 695	22,545
At 31 December 2006	22 036	1,739	23,775

10 Debtors

	2007 £'000	2006 £'000
Prepayments	3	-
Amounts owed by group undertakings	11,763	7,075
	11,766	7,075

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

11 Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	24,601	24,337
Accruals	115	72
	24,716	24,409

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

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

12 Provisions for liabilities and charges

	Deferred taxation £'000	Abandonment provision £'000	Total £'000
As at 1 January 2007	1,942	1,995	3,937
Revisions	-	50	50
Change to UK CT rate	(229)	-	(229)
Profit and loss charge	1,489	41	1,530
As at 31 December 2007	<u>3,202</u>	<u>2,086</u>	<u>5,288</u>

Deferred taxation

	As at 1 January 2007 £'000	Profit and loss charge/(credit) £'000	As at 31 December 2007 £'000
Deferred corporation tax			
- accelerated capital allowances	1,942	1,370	3,312
- other timing differences	-	(124)	(124)
	<u>1,942</u>	<u>1,246</u>	<u>3,188</u>

Deferred corporation tax provision/(asset) at 28% (31 December 2006 30%) is analysed as follows

	Provided		Unprovided	
	At 31 Dec 07 £'000	At 31 Dec 06 £'000	At 31 Dec 07 £'000	At 31 Dec 06 £'000
Deferred corporation tax				
- accelerated capital allowances	3,312	1,942	-	-
- other timing differences	(124)	-	-	(77)
	<u>3,188</u>	<u>1,942</u>	<u>-</u>	<u>(77)</u>

The proposed reduction in the rate of UK Corporation tax from 30% to 28% as per the 2007 budget was substantively enacted on 26 June 2007. As a result deferred tax reversing after 1 April 2008 is calculated at the rate of 28%.

Abandonment provision

The abandonment provision represents the future expected costs of decommissioning the windfarm at the end of its useful economic life, discounted to its present value. The payment date of total expected future decommissioning costs is uncertain but is currently anticipated to be 2025. In determining the provision the cash flows have been discounted on a pre-tax basis using a real interest rate of 2.2% per annum. The assumed inflation rate is 2.5%.

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 Called-up share capital

	2007 £	2006 £
Authorised		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted and fully paid		
1 ordinary share of £1 each	1	1

14 Reserves

	Profit and loss reserve £'000	Total £'000
As at 1 January 2007	2,504	2,504
Profit for the year	1,803	1,803
At 31 December 2007	4,307	4,307

15 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the year	1,803	1,473
Opening shareholders' funds at 1 January	2,504	1,031
Closing shareholders' funds at 31 December	4,307	2,504

16 Capital Commitments

The Company had no capital commitments at the year end (2006 £nil)

17 Ultimate parent undertaking

The immediate parent undertaking is Centrica Renewable Energy Limited, which is registered in England and Wales

The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales which is the parent company of the smallest and largest group to consolidate their financial statements. Copies of Centrica plc consolidated financial statements can be obtained from the Company Secretary at Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD