

Glens of Foudland Wind Farm Limited

**Annual report and Financial Statements
For the year ended 31 December 2006**

Registered Number: 4493791

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Glens of Foudland Wind Farm Limited

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Glens of Foudland Wind Farm Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of Glens of Foudland Wind Farm Limited ("the Company") for the year ended 31st December 2006

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 2006 is £1,473,000 (2005: £1,035,000). The directors do not recommend the payment of a dividend (2005: £nil).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 21-23 of the group's annual report which does not form part of this report.

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	27 April 2004	4 July 2007
M J Garstang	13 August 2004	
G Lane	27 April 2004	4 July 2007
A Bennett	28 April 2005	

On 4 July 2007 Alan Thompson and Susan Wheeler were appointed as Directors of the Company.

Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other Centrica group companies. There have been no other discloseable related party transactions during the year (2005: £nil).

Political and charitable donations

The Company made no political or charitable donations during the year (2005: £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 2006 (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.

Exposure to commodity price risk, counterparty credit risk and liquidity risk arises in the normal course of the Company's business. The most significant financial risk facing the Company relates to commodity prices. The risk is primarily that market prices for commodities will move adversely thereby potentially reducing expected margins.

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.

Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly to ensure there is sufficient financial headroom for at least a 12 month period.

The Company does not take part in hedging activity 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 2006 (continued)

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

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

This report was approved by the Board 18 October 2007

For and on behalf of
Centrica Secretaries Limited

A handwritten signature in black ink, consisting of a stylized 'h' followed by a long, sweeping horizontal line that curves upwards at the end.

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 2006 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

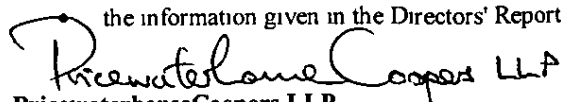
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 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

23 October 2007

Glens of Foudland Wind Farm Limited

Profit and loss account for the year ended 31 December 2006

		Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
	Notes		
Turnover	3	4,949	2,726
Cost of sales		(1,550)	(530)
Gross Profit		<u>3,399</u>	<u>2,196</u>
Administration expenses		(664)	(404)
Operating profit	4	<u>2,735</u>	<u>1,792</u>
Interest payable and similar charges	7	(62)	(15)
Profit on ordinary activities before taxation		<u>2,673</u>	<u>1,777</u>
Tax on profit on ordinary activities	8	(1,200)	(742)
Retained profit for the year	15	<u><u>1,473</u></u>	<u><u>1,035</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 2006

	Notes	2006 £'000	2005 £'000
Fixed Assets			
Tangible assets	9	23,775	24,873
Current assets			
Debtors	10	7,075	2,667
		<u>7,075</u>	<u>2,667</u>
Creditors – amounts falling due within one year	11	(24,409)	(24,086)
Net current liabilities		<u>(17,334)</u>	<u>(21,419)</u>
Total assets less current liabilities		<u>6,441</u>	<u>3,454</u>
Provisions for liabilities and charges	12	(3,937)	(2,423)
Net Assets		<u>2,504</u>	<u>1,031</u>
Capital and reserves			
Called-up share capital	13	-	-
Profit and loss reserve	14	2,504	1,031
Equity shareholder funds	15	<u>2,504</u>	<u>1,031</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 18 October 2007 and were signed on its behalf by



Alan Bennett
Director

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2006

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 2006 (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 windfarm 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 facility. 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

	2006 £'000	2005 £'000
Operating profit is stated after charging:		
Depreciation	1,331	530
Auditors' fees	-	-

The audit fees of £5,000 during the year (2005: £4,000) were borne by another group company and not recharged.

5 Directors' emoluments

The directors received no emoluments during the year (2005: £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.

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

6 Employee information

The Company has no employees and no staff costs (2005 nil) Any costs relating to employees are borne by other Centrica group companies

7 Interest payable and similar charges

	2006 £'000	2005 £'000
Unwinding of discount on decommissioning provision (note 12)	62	15

8 Tax on profit on ordinary activities

	2006 £'000	2005 £'000
The tax charge comprises :		
United Kingdom corporation tax at 30% (2005 30%) based on the profit for the period		
Current	-	-
Deferred - origination and reversal of timing differences	(1,200)	(742)
Total tax on profit / (loss) on ordinary activities	(1,200)	(742)

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

	2006 £'000	2005 £'000
Profit / (loss) on ordinary activities before tax	2,673	1,777
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	802	533
Effects of		
Pre trading expenditure	-	(1)
Expenditure not allowable for taxation purposes	-	11
Timing differences	62	-
Capital allowances in excess of depreciation	(1,200)	(742)
Group relief not paid for	651	434
UK UK transfer pricing adjustment	(315)	(235)
Current tax charge for the year	-	-

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

9 Tangible assets

	Plant and machinery	Decommissioning asset	Total
	£'000	£'000	£'000
Cost			
As at 1 January 2006	23,737	1,666	25,403
Additions	-	252	252
Disposals	(19)	-	(19)
As at 31 December 2006	23,718	1,918	25,636
Accumulated depreciation			
As at 1 January 2006	495	35	530
Charge for the year	1,187	144	1,331
At 31 December 2006	1,682	179	1,861
Net book value			
At 31 December 2006	22,036	1,739	23,775
At 31 December 2005	23,242	1,631	24,873

10 Debtors

	2006	2005
	£'000	£'000
Amounts owed by group undertakings	7,075	2,667

11 Creditors - amounts falling due within one year

	2006	2005
	£'000	£'000
Amounts owed to group undertakings	24,337	23,996
Accruals	72	90
	24,409	24,086

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 2006 (continued)

12 Provisions for liabilities and charges

	Deferred taxation £'000	Abandonment provision £'000	Total £'000
As at 1 January 2006	742	1,681	2,423
Abandonment provision	-	252	252
Profit and loss charge	1,200	62	1,262
As at 31 December 2006	<u>1,942</u>	<u>1,995</u>	<u>3,937</u>

Deferred tax is provided at 30% (2005 30%) Full provision has been made for deferred taxation arising from accelerated capital allowances A deferred tax asset of £77,000 (2005 £nil) relating to other timing differences is currently unrecognised

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and have been enacted in the 2007 Finance Act or are expected to be enacted in the 2008 Finance Act The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The effect of the changes enacted in the Finance Act 2007 would be to reduce the deferred tax liability provided at 31 December 2006 by £129,000 and would increase profits for the year by the same amount This decrease in deferred tax is due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 The deferred tax asset unprovided would decrease by £5,000 The other changes to be enacted would have no further effects on the deferred tax provided at 31 December 2006

The abandonment provision represents the future expected costs of decommissioning the station 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

13 Called-up share capital

	2006 £	2005 £
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

Glens of Foudland Wind Farm Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 Reserves

	Profit and loss reserve £'000	Total £'000
As at 1 January 2006	1,031	1,031
Profit for the year	1,473	1,473
At 31 December 2006	<u>2,504</u>	<u>2,504</u>

15 Reconciliation of movements in shareholder funds

	2006 £'000	2005 £'000
Profit for the year	1,473	1,035
Opening shareholder funds	1,031	(4)
Closing shareholder funds	<u>2,504</u>	<u>1,031</u>

16 Capital Commitments

The Company had no capital commitments at the year end (2005 £nil)

17 Ultimate parent undertaking

The immediate parent undertaking is Centrica Renewable Energy Limited

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