

Glens of Foudland Wind Farm Limited

Annual report

For the year ended 31 December 2005

Registered Number: 4493791



# **Glens of Foudland Wind Farm Limited**

## **Annual report for the year ended 31 December 2005**

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# Glens of Foudland Wind Farm Limited

## Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of Glens of Foudland Wind Farm Limited ("the Company") for the year ended 31<sup>st</sup> December 2005.

### 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 completed construction at a site in Aberdeenshire. The site comprises 20 1.3MW turbines, giving installed capacity of 26MW. Commercial generation commenced in June 2005 and is expected to continue for the foreseeable future.

### Results and dividends

The profit on ordinary activities after taxation for the year ended 31 December 2005 is £1,777,002 (2004: loss of £4,010). The directors do not recommend the payment of a dividend.

### Directors

The following served as directors during the year:

	Date of Appointment	Date of Resignation
S R Clark	08 October 2004	
M J Garstang	08 October 2004	
G Lane	08 October 2004	
A Bennett	28 April 2005	
S Sambhi	08 October 2004	28 April 2005

At no time did any Director holding office at 31 December 2005 have any interest in the shares of the Company (2004: nil) or any other company within the Centrica plc Group except for the interests in, and the options over, the shares and interests of the ultimate parent company, Centrica plc.

The Directors with interests in and options over the ordinary shares of Centrica plc at the year end are as follows:

### Beneficial interests in ordinary shares

	As at 31 December 2005	As at 31 December 2004*
S Clark	2,742	16,022
M Garstang	12,541	-
G Lane	13,246	7,263
A Bennett	14,008	10,251

\* or date of appointment

The above figures include shares appropriated under the terms of the Centrica Share Incentive Plan.

# Glens of Foudland Wind Farm Limited

## Directors' report for the year ended 31 December 2005 (continued)

### Sharesave scheme

	As at 31 December 2005	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2004*
S Clark	14,255	-	-	981	13,274
M Garstang	-	-	-	-	-
G Lane	5,294	-	-	-	5,294
A Bennett	11,737	-	-	681	11,056

\* or date of appointment

### Executive Share Option Scheme

	As at 31 December 2005	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2004*
S Clark	-	-	-	-	-
M Garstang	-	-	-	-	-
G Lane	-	-	-	-	-
A Bennett	239,230	-	-	-	239,230

\* or date of appointment

Under the terms of the Executive Share Option Scheme a grant of options over shares was made on 1 April 2005 at an option price of 228.65 pence per share.

Details of the ultimate parent company's Sharesave Scheme, Executive Share Option Scheme and LTIS can be found in the 2005 accounts of Centrica plc, copies of which can be obtained from [www.centrica.com](http://www.centrica.com).

### Long term incentive scheme

	As at 31 December 2005	Lapsed during the year	Exercised during the year	Granted during the year	As at 31 December 2004*
S Clark	70,407	1,968	18,170	20,467	70,078
M Garstang	78,251	4,664	36,609	25,147	94,377
G Lane	79,823	4,509	35,565	25,912	93,985
A Bennett	120,404	5,209	40,801	-	166,414

\* or date of appointment

# **Glens of Foudland Wind Farm Limited**

## **Directors' report for the year ended 31 December 2005 (continued)**

### **Long term incentive scheme (continued)**

Total allocations as at 31 December 2005 shown above include allocations of shares that are subject to challenging performance conditions. At the end of the performance period the Total Shareholder Return of Centrica plc will be assessed against that of the relevant LTIS comparator group. If, and to the extent that, the performance conditions are met, the relevant number of shares will be released to the Directors at the Trustee's discretion as soon as practicable thereafter.

A conditional allocation of shares was made on 1 April 2005 at a price of 228 pence per share.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2005 (30 December) was 254.75 pence. The range during the year was 264.75 pence (high) and 217.50 pence (low).

As at 31 December 2005, nil shares and 2,591 shares (1 January 2005: 6,370,264 and 2,548) were held by the respective Trustees of employee share trusts for the purposes of the LTIS and the Share Incentive Plan. As with other employees, the Directors are deemed to have a potential interest in those shares, being beneficiaries under the trust.

There were no contracts of significance during or at the end of the financial year to which the Company or any subsidiary and associated undertakings is a party and in which any Director is or was materially interested.

### **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 (2004: £nil).

### **Creditor payment policy**

The Company aims to pay all of its creditors (of which none were trade creditors) promptly within the agreed contract terms.

### **Political and charitable donations**

The Company made no political or charitable donations during the year (2004: £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.

### **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.

# Glens of Foudland Wind Farm Limited

## Directors' report for the year ended 31 December 2005 (continued)

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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 estimates that are reasonable and prudent;
- State whether applicable accounting policies 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 confirm they have complied with the above requirements in preparing the financial statements.

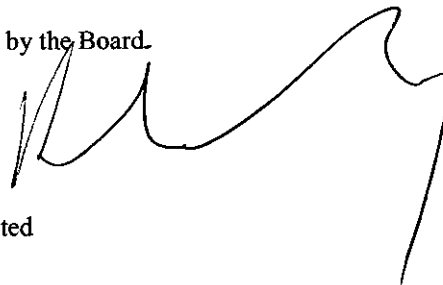
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The above statement should be read in conjunction with the statement of auditors responsibilities set out in the audit report on page 5.

### 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.



For and on behalf of  
Centrica Secretaries Limited

30-10-06

Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire SL4 5GD

# Glens of Foudland Wind Farm Limited

## Independent Auditors' report to the Shareholder 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 2005 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

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

31/10/06

# Glens of Foudland Wind Farm Limited

## Profit and loss account for the year ended 31 December 2005

		Year ended 31 December 2005 £'000	14 months ended 31 December 2004 £'000
	Notes		
Turnover	3	2,726	-
Cost of sales		(530)	-
Gross Profit		2,196	-
Administration expenses		(404)	(4)
Operating profit / (loss)	4	1,792	(4)
Interest payable and similar charges	7	(15)	-
Profit / (loss) on ordinary activities before taxation		1,777	(4)
Tax on profit / (loss) on ordinary activities	8	(742)	-
Retained profit / (loss) for the year	15	1,035	(4)

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 8 to 13 form part of these financial statements.




# Glens of Foudland Wind Farm Limited

## Balance sheet as at 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>Fixed Assets</b>			
Tangible assets	9	24,873	9,128
<b>Current assets</b>			
Debtors	10	<u>2,667</u>	-
		2,667	-
<b>Creditors – amounts falling due within one year</b>	11	(24,086)	(9,132)
<b>Net current liabilities</b>		<u>(21,419)</u>	<u>(9,132)</u>
<b>Total assets less current liabilities</b>		3,454	(4)
<b>Provisions for liabilities and charges</b>	12	(2,423)	-
		<u>1,031</u>	<u>(4)</u>
<b>Capital and reserves</b>			
Called-up share capital	13	-	-
Profit and loss reserve	14	1,031	(4)
<b>Equity shareholder funds</b>	15	<u>1,031</u>	<u>(4)</u>

The notes on pages 8 to 13 form part of these financial statements.

The financial statements on pages 6 to 7 were approved and authorised for issue by the Board of Directors on 30 October 2006 and were signed on its behalf by:



Director

# Glens of Foudland Wind Farm Limited

## Notes to the financial statements for the year ended 31 December 2005

### 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 revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

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 2005 (continued)

### 1 Principal accounting policies (continued)

#### Turnover

Turnover is recognised on an accruals basis and principally 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 / (loss)

	2005 £'000	2004 £'000
<b>Operating profit / (loss) is stated after charging:</b>		
Depreciation	530	-
Auditors' fees	-	4

There were no audit fees during the year as these were borne by another group company and not recharged.

### 5 Directors' emoluments

The directors received no emoluments during the year (2004 : £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 2005 (continued)

### 6 Employee information

The Company has no employees and no staff costs. Any costs relating to employees are borne by other Centrica group companies.

### 7 Interest payable and similar charges

	2005 £'000	2004 £'000
Unwinding of discount on decommissioning provision	15	-

### 8 Tax on profit/(loss) on ordinary activities

	2005 £'000	2004 £'000
<b>The tax charge comprises :</b>		
United Kingdom corporation tax at 30% (2004: 30%) based on the profit/(loss) for the period		
Current	-	-
Deferred - origination and reversal of timing differences	(742)	-
<b>Total tax on profit / (loss) on ordinary activities</b>	<b>(742)</b>	<b>-</b>

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

	2005 £'000	2004 £'000
<b>Profit / (loss) on ordinary activities before tax</b>	<b>1,777</b>	<b>(4)</b>
Tax on profit / (loss) on ordinary activities at standard UK corporation tax rate of 30%	533	(1)
Effects of :		
Pre trading expenditure	(1)	1
Expenditure not allowable for taxation purposes	11	-
Capital allowances in excess of depreciation	(742)	-
Group relief not paid for	434	33
UK:UK transfer pricing adjustment	(235)	(33)
	-	-

# Glens of Foudland Wind Farm Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 9 Tangible assets

	Plant and machinery	Decommissioning asset	Total
	£'000	£'000	£'000
<b>Cost</b>			
As at 1 January 2005	9,128	-	9,128
Additions	14,609	1,666	16,275
<b>As at 31 December 2005</b>	<b>23,737</b>	<b>1,666</b>	<b>25,403</b>
<b>Accumulated depreciation</b>			
As at 1 January 2005	-	-	-
Charge for the year	495	35	530
<b>At 31 December 2005</b>	<b>495</b>	<b>35</b>	<b>530</b>
<b>Net book value</b>			
<b>At 31 December 2005</b>	<b>23,242</b>	<b>1,631</b>	<b>24,873</b>
At 31 December 2004	9,128	-	9,128

### 10 Debtors

	2005 £'000	2004 £'000
Amounts owed by group undertakings	2,667	-
	<b>2,667</b>	<b>-</b>

### 11 Creditors - amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed to group undertakings	23,996	9,128
Accruals	90	4
	<b>24,086</b>	<b>9,132</b>

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 2005 (continued)

### 12 Provisions for liabilities and charges

	Deferred taxation £'000	Abandonment provision £'000	Total £'000
As at 1 January 2005	-	-	-
Abandonment provision	-	1,666	1,666
Profit and loss charge	742	15	757
As at 31 December 2005	<u>742</u>	<u>1,681</u>	<u>2,423</u>

Deferred tax is provided at 30% (2004: 30%). Full provision has been made for deferred taxation arising from accelerated capital allowances.

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.

The estimate of the decommissioning costs is a judgmental area and reflects the Directors' best expectation at this time. The Directors will consider commissioning a third party expert to provide a more detailed estimate in the forthcoming year.

### 13 Called-up share capital

	2005 £	2004 £
<b>Authorised</b>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
<b>Allotted and fully paid</b>		
1 ordinary share of £1 each	1	1

### 14 Reserves

	Profit and loss reserve £'000	Total £'000
As at 1 January 2005	(4)	(4)
Retained profit for the year	1,035	1,035
At 31 December 2005	<u>1,031</u>	<u>1,031</u>

# **Glens of Foudland Wind Farm Limited**

## **Notes to the financial statements for the year ended 31 December 2005 (continued)**

### **15 Reconciliation of movements in shareholder funds**

	2005 £'000	2004 £'000
Profit / (loss) for the year	1,035	(4)
Opening shareholder funds	(4)	-
Closing shareholder funds	<u>1,031</u>	<u>(4)</u>

### **16 Capital Commitments**

The Company had no capital commitments at the year end (2004: £14,272,000)

### **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.