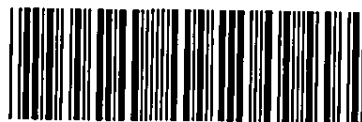


Centrica (LW) Limited

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

Registered Number: 4155137

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Centrica (LW) Limited

	Page
Directors' report for the year ended 31 December 2007	1
Independent auditors' report	3
Profit and loss account for the year ended 31 December 2007	4
Balance sheet as at 31 December 2007	5
Notes to the financial statements for the year ended 31 December 2007	6

Centrica (LW) Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of Centrica (LW) Limited, ("the Company"), for the year ended 31 December 2007

Principal activities

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

Review of Business and Future Developments

The Company holds the licence to develop and operate a 90MW wind farm at Lynn Construction of the wind farm has been underway during 2007 Subject to weather conditions during offshore construction the project is expected to be completed by the end of 2008, although first power generation was delivered during the first half of 2008

Results and dividends

The loss on ordinary activities after taxation for the year ended 31 December 2007 is £8,391,000 (2006 loss of £275,000) The directors do not recommend the payment of a dividend (2006 £nil)

Principal risks and uncertainties

The principal risks facing the company are cost overruns on the wind farm construction project, failure to complete the project on time and having no off take of the electricity produced once constructed

To mitigate against these risks, the directors of the company have put in place mostly fixed price contracts for the construction of the wind farm and generated electricity and associated environmental credits are expected to be sold at market prices to a related Centrica group company As sales are expected to be made to a related Centrica group company, management has decided not to hedge against the market price 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	27 April 2004	4 July 2007
M J Garstang	13 August 2004	30 June 2008
G Lane	23 December 2003	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)

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, foreign exchange risk and liquidity risk arises in the normal course of the Company's business The most significant risks faced by the Company in 2007 related to liquidity risk and foreign currency exchange 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
- Derivative financial instruments are entered into to reduce exposure to fluctuations in foreign exchange rates The Company's policy is to actively manage cash flow risk associated with changes in foreign exchange rates by swapping floating rate foreign exchange flows into fixed-rate foreign exchange flows (refer to note 1 for details)

The Company does not take part in hedging of any kind, other than with respect to foreign currency risk

Centrica (LW) Limited

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

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 a director is proved to have acted fraudulently.

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.

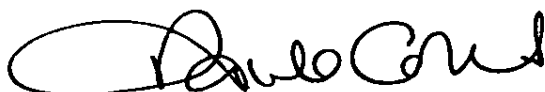
Disclosure of information to auditors

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 Ltd
Registered office
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica (LW) Limited

Independent Auditors' report to the Members of Centrica (LW) Limited

We have audited the financial statements of Centrica (LW) 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 loss 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

Centrica (LW) Limited

Profit and loss account for the year ended 31 December 2007

		Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
	Note		
Administrative expenses		(1,034)	(396)
Operating loss	4	<u>(1,034)</u>	<u>(396)</u>
Interest payable and similar charges	7	(8)	-
Loss on ordinary activities before taxation		<u>(1,042)</u>	<u>(396)</u>
Tax on loss on ordinary activities	8	(7,349)	121
Loss for the year	14	<u>(8,391)</u>	<u>(275)</u>

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

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated and their historical cost equivalents

All activities relate to continuing operations

The notes on pages 6 to 13 form part of these financial statements

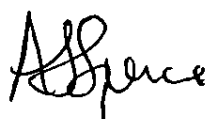
Centrica (LW) Limited

Balance sheet as at 31 December 2007

	Notes	2007 £'000	2006 £'000 (restated)
Fixed Assets			
Tangible assets	9	95,488	21,825
Current assets			
Debtors	10	15	200
		<u>15</u>	<u>200</u>
Creditors – amounts falling due within one year	11	(93,163)	(22,965)
Net current liabilities		<u>(93,148)</u>	<u>(22,765)</u>
Total assets less current liabilities		2,340	(940)
Provisions for liabilities and charges	12	(12,166)	(495)
Net liabilities		<u>(9,826)</u>	<u>(1,435)</u>
Capital and reserves			
Called-up share capital	13	-	-
Profit and loss reserve	14	(9,826)	(1,435)
Equity shareholders' deficit	15	<u>(9,826)</u>	<u>(1,435)</u>

The notes on pages 6 to 13 form part of these financial statements

The financial statements on pages 4 to 13 were approved and authorised for issue by the Board of Directors on 2 October and were signed on its behalf by



J Spence
Director

Centrica (LW) 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.

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.

Government Grants and Deferred income

Government grants received as a contribution towards wind-farm expenditure are initially recognised as deferred income. This deferred income is released to the profit and loss account on a straight line basis over the expected useful economic life of the related asset, commencing when the entire asset is fully operational.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Foreign Currency

The financial statements of the Company are presented in sterling, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at either the functional currency rate ruling at the date of the transaction or the rate that they have been hedged at using forward contracts (see 'Financial Instruments' below). Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

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.

Centrica (LW) Limited

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

1 Principal accounting policies (continued)

Option fees

Option fees are capitalised at inception and then amortised on a straight line basis over the life of the option or, if earlier, the date at which the option is expected to be exercised

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.

Financial Instruments

The company has entered into forward contracts to economically hedge its foreign exchange exposure on milestone payments made to foreign suppliers. Changes in the derivatives' fair value are not recognised (note 16).

Comparatives

Certain comparatives relating to payments on account have been reclassified to align with current year classifications.

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

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

4 Loss on ordinary activities before taxation

	2007	2006
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' fees – statutory audit services	-	-

The audit fees of £5,000 during the year (2006: £6,000) were borne by another group company and not recharged.

Centrica (LW) Limited

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

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.

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

	2007	2006
	£'000	£'000
Unwinding of discount in abandonment provision	8	-

Centrica (LW) Limited

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

8 Tax on loss on ordinary activities

	2007 £'000	2006 £'000
(a) Analysis of tax charge in the period		
The tax credit/(charge) comprises		
Current tax:		
United Kingdom corporation tax at 30% (2006 30%)	-	-
Total current tax	-	-
Deferred tax		
Effect of change to corporation tax rate	539	-
Origination and reversal of timing differences	(6,106)	121
Adjustments in respect of prior years	(1,782)	-
Total tax on loss on ordinary activities	(7,349)	121

(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 loss before tax is as follows

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(1,042)	(396)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	(313)	(119)
Effects of		
Capital allowances in excess of depreciation	(6,108)	-
Timing differences not provided for	2	-
Losses carried forward	-	121
Group relief for nil consideration	7,389	186
UK UK transfer pricing adjustment	(970)	(188)
Tax charge for the period	-	-

Centrica (LW) Limited

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

9 Tangible assets

	Payments on account and assets under construction £'000	Decommissioning asset £'000	Total £'000
Cost			
As at 1 January 2007	21,525	300	21,825
Additions	69,349	4,314	73,663
As at 31 December 2007	<u>90,874</u>	<u>4,614</u>	<u>95,488</u>
Net book value			
At 31 December 2007	<u>90,874</u>	<u>4,614</u>	<u>95,488</u>
At 31 December 2006 (restated)	<u>21,525</u>	<u>300</u>	<u>21,825</u>

10 Debtors

	2007 £'000	2006 £'000 (restated)
Prepayments	15	-
Other debtors	-	200
	<u>15</u>	<u>200</u>

11 Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Accruals	13,140	-
Deferred income	6,500	-
Amounts owed to group undertakings	73,523	22,965
	<u>93,163</u>	<u>22,965</u>

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

Centrica (LW) 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	195	300	495
Change to UK corporation tax rate	(539)	-	(539)
Profit and loss charge	7,888	-	7,888
Additions	-	4,314	4,314
Unwind of discounting	-	8	8
As at 31 December 2007	7,544	4,622	12,166

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	316	7,230	7,546
- other timing differences	(121)	119	(2)
	195	7,349	7,544

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	7,546	316	-	-
- other timing differences	(2)	(121)	-	-
	7,544	195	-	-

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 expected costs of decommissioning the windfarm at the end of its useful economic life (currently anticipated to be 2028). 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 a real interest rate of 2.2% per annum. The assumed rate of inflation is 2.5%.

Centrica (LW) Limited

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

13 Called-up share capital

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

14 Reserves

	Profit and loss reserve £'000	Total £'000
At 1 January 2007	(1,435)	(1,435)
Loss for the year	(8,391)	(8,391)
At 31 December 2007	<u><u>(9,826)</u></u>	<u><u>(9,826)</u></u>

15 Reconciliation of movements in shareholders' deficit

	2007 £'000	2006 £'000
Loss for the year	(8,391)	(275)
Opening shareholders' deficit at 1 January	<u>(1,435)</u>	<u>(1,160)</u>
Closing shareholders' deficit at 31 December	<u><u>(9,826)</u></u>	<u><u>(1,435)</u></u>

16 Financial Instruments

In accordance with Statutory Instrument 04/2947 of the Companies Act 1985, the fair values of the Company's financial instruments are analysed below

	2007 £'000	2006 £'000
Derivative financial instruments		
Foreign exchange swaps	<u>3,616</u>	<u>(113)</u>

Centrica (LW) Limited

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

17 Capital Commitments

The following capital commitments, for which no provision has been made, have been entered into by the Company at the end of the year

	2007 £'000	2006 £'000
Assets under construction	65,389	49,848

18 Going Concern

The directors have considered the application of the going concern basis of accounting and believe that for the foreseeable future the Company will have adequate resources to meet its liabilities as they fall due. In making this assessment the directors of the Company have considered the intentions of the directors of Centrica plc, the ultimate parent undertaking, to provide financial support to the Company in the conduct of its ordinary business operations for a period of 12 months from the date of approval of these financial statements.

19 Ultimate parent undertaking

The immediate parent undertaking is Centrica Renewable Energy Limited, a company 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 only Company to include these financial statements in its consolidated 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.