

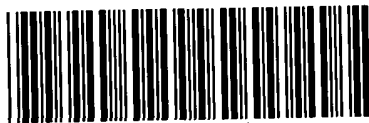
Registration number: 04155137

# **Lynn Wind Farm Limited**

**Annual Report and Financial Statements**

for the Year Ended 31 December 2016

THURSDAY



\*A649LH16\*

A21

13/04/2017

#296

COMPANIES HOUSE

# **Lynn Wind Farm Limited**

## **Contents**

	<b>Page(s)</b>
Strategic Report	1 to 2
Directors' Report	3 to 6
Independent Auditors' Report	7 to 8
Income Statement	9
Statement of comprehensive income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 24

## **Lynn Wind Farm Limited**

### **Strategic Report for the Year Ended 31 December 2016**

The Directors present their Strategic Report of Lynn Wind Farm Limited ("the Company") for the year ended 31 December 2016.

#### **Review of the business**

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosures Framework ("FRS 101").

The wind farm has operated satisfactorily during the year. Generation and revenue were slightly below plan primarily due to wind speeds being slightly lower than expected whilst availability was slightly above plan.

On 7 March 2016 GLID Limited and Boreas Holdings S.à.r.l. each agreed to sell their respective 50% holdings in GLID Wind Farms TopCo Limited, the Company's parent undertaking, to UK Green Investment LID Limited (60.8% holding), RI Income UK Holdings Limited (34.3% holding) and RI EU Holdings (UK) Limited (4.9% holding).

#### **Principal risks and uncertainties**

The GLID Wind Farms TopCo Group's principal risk which is a known feature of wind farms is revenue uncertainty. Revenue is dependent on wind speeds and the related power curve which together impact the potential revenue of the wind farm. The availability is driven by the technical performance of the wind turbines and ancillary equipment, and the physical access to the wind farms. The power generated is sold under power purchase agreements and the power price is dependent on market pricing subject to a cap and floor in respect of 75% of the generation. ROCs awarded are based on production and have an annual price published by OFGEM which is indexed from 1 April each year. Revenue uncertainty impacts the Group's cash flow and as such the ability to make loan repayments and to make distributions to shareholders when appropriate.

#### **Key performance indicators (KPIs)**

To create the maximum renewable energy the Company monitors the effectiveness and efficiency of the wind farm on a regular basis and endeavours to achieve a high level of availability.

#### **Financial position**

The financial position of the Company is presented in the Statement of Financial Position on page 10. Total shareholders' deficit at 31 December 2016 were £46,000 (2015: shareholder surplus £913,000).

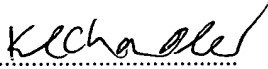
## **Lynn Wind Farm Limited**

### **Strategic Report for the Year Ended 31 December 2016 (continued)**

#### **Future developments**

Commercial generation is expected to continue from the wind farm for the foreseeable future. Decisions will be made towards the end of the wind farm's useful economic life, around 2033, to decide if the assets will be decommissioned or a repowering of the site will be undertaken.

Approved by the Board on 24 March 2017 and signed by order of the board.



Karen Chandler  
Company secretary

Company registered in England and Wales, No. 04155137  
Registered office:  
Eversheds LLP  
70 Great Bridgewater Street  
Manchester  
M1 5ES

## **Lynn Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2016**

*The Directors present their report and the audited Financial Statements for the year ended 31 December 2016.*

#### **Directors of the Company**

The directors who were in office during the year and up to the date of signing the financial statements were:

R McCord (resigned 7 March 2016)

S Redfern (resigned 7 March 2016)

J-D Borgeaud (resigned 7 March 2016)

S Hayden (resigned 7 March 2016)

P Raftery (appointed 7 March 2016)

C Reid (appointed 7 March 2016)

K Smith (appointed 7 March 2016)

A Ulens (appointed 7 March 2016)

#### **Principal activity**

The principal activity of the Company is the operation of the Lynn wind farm.

#### **Results and dividends**

The results of the Company are set out on page 9. The loss for the financial year ended 31 December 2016 is £959,000 (2015: profit £1,465,000). Nil dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2015: £nil).

## **Lynn Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

#### **Financial instruments**

##### ***Objectives and policies***

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business.

##### ***Price risk, credit risk, liquidity risk and cash flow risk***

- Until 7 March 2016 the Group was project financed via a bank syndicate, the facilities of which were subject to a Loan Facility Agreement ("LFA") to which GLID Wind Farms TopCo Limited was an Obligor and Guarantor.
- In order to review available liquidity cash forecasts for the Group are produced and reviewed regularly.
- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and were subject to approved limits governed by the LFA. Credit risk is limited to exposures with British Gas Trading Limited, a related Centrica group company, and Npower Limited. There is a Parent Company Guarantee in place in respect of the Npower agreement.
- In respect of electricity price risk, the Group has entered into power purchase agreements ("PPAs") with British Gas Trading Limited to sell power until September 2024, with the power prices based on market prices subject to a cap and floor in respect of 75% of generation.
- In order to generate the maximum renewable energy the Group monitors the effectiveness and efficiency of the wind farms on a regular basis and endeavours to achieve a high level of availability. For 2016 the wind farms availability, being the proportion of time that the wind turbines were not offline for maintenance and were able to operate, was broadly in-line with management expectations.

#### **Future developments**

Future developments are discussed in the Strategic Report on page 2.

#### **Going concern**

The financial statements have been prepared on a going concern basis as GLID Wind Farms TopCo Limited, the parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that GLID Wind Farms TopCo Limited intends to support the Company for at least one year after the financial statements were authorised.

#### **Directors liabilities**

The Company is a wholly-owned subsidiary of GLID Wind Farms TopCo Limited, which is jointly controlled. The Directors of the Company are nominated by the joint venture partners of its parent company. The Directors are covered by the ultimate parent company's directors' and officers' liability insurance. The insurances do not provide cover in the event that the Director is proved to have acted fraudulently or unlawfully.

## **Lynn Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

#### **Statement of Directors' Responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is 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 a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

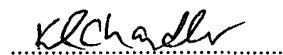
## **Lynn Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

This Directors' report was approved by the Board on 24 March 2017.



Karen Chandler  
Company secretary

Company registered in England and Wales, No. 04155137  
Registered office:  
Eversheds LLP  
70 Great Bridgewater Street  
Manchester  
M1 5ES



## **Lynn Wind Farm Limited**

### **Independent Auditors' Report to the Members of Lynn Wind Farm Limited**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Lynn Wind Farm Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### ***What we have audited***

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### ***Adequacy of accounting records and information and explanations received***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## **Lynn Wind Farm Limited**

### **Independent Auditors' Report to the Members of Lynn Wind Farm Limited (continued)**

#### ***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### ***Our responsibilities and those of the directors***

As explained more fully in the 'Statement of Directors' Responsibilities' set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.



Katherine Stent (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
23 Forbury Road  
Reading  
RG1 3JH

21 March 2017

## Lynn Wind Farm Limited

### Income Statement for the Year Ended 31 December 2016

		2016	2015
	Note	£000	£000
Revenue	4	28,670	32,718
Cost of Sales		<u>(10,370)</u>	<u>(12,255)</u>
<b>Gross profit</b>		<b>18,300</b>	<b>20,463</b>
Administrative expenses		<u>(10,793)</u>	<u>(8,475)</u>
<b>Operating profit</b>	5	<b>7,507</b>	<b>11,988</b>
Finance cost	7	<u>(10,241)</u>	<u>(11,338)</u>
<b>(Loss)/profit before income tax</b>		<b>(2,734)</b>	<b>650</b>
Income tax credit	10	<u>1,775</u>	<u>815</u>
<b>Profit/(Loss) for the financial year</b>		<b><u>(959)</u></b>	<b><u>1,465</u></b>

### Statement of Comprehensive Income for the Year Ended 31 December 2016

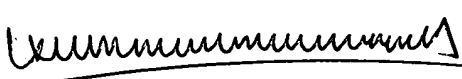
	2016	2015
	£ 000	£ 000
(Loss)/Profit for the financial year	<u>(959)</u>	<u>1,465</u>
<b>Total comprehensive (expense)/income for the year</b>	<b><u>(959)</u></b>	<b><u>1,465</u></b>

# Lynn Wind Farm Limited

## Statement of Financial Position as at 31 December 2016

	Note	2016 £000	2015 £000
<b>Fixed Assets</b>			
Property, plant and equipment	11	116,794	122,375
<b>Current assets</b>			
Inventories	12	265	1,455
Trade and other receivables	13	7,550	13,565
Cash and cash equivalents		<u>2,264</u>	<u>24</u>
		10,079	13,589
<b>Creditors- amounts falling due within one year</b>			
Trade and other payables	14	<u>(111,788)</u>	<u>(121,702)</u>
<b>Net current liabilities</b>		<u>(101,709)</u>	<u>(108,113)</u>
<b>Total assets less current liabilities</b>		<u>15,085</u>	<u>14,262</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	(6,967)	(8,742)
Provisions for other liabilities and charges	16	<u>(8,164)</u>	<u>(6,062)</u>
<b>Net (liabilities)/assets</b>		<u>(46)</u>	<u>(542)</u>
<b>Equity</b>			
Called up share capital	17	-	-
Retained (loss)/earnings		<u>(46)</u>	<u>913</u>
<b>Total shareholder (deficit)/funds</b>		<u><u>(46)</u></u>	<u><u>913</u></u>

The financial statements on pages 9 to 24 were approved and authorised for issue by the Board of Directors on 24 March 2017 and signed on its behalf by:

  
 .....  
 Alexis Ulens  
 Director  
 Company number 04155137

# Lynn Wind Farm Limited

## Statement of Changes in Equity for the Year Ended 31 December 2016

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance as at 1 January 2015	17	-	(552)	(552)
Profit for the year		-	1,465	1,465
Total comprehensive income for the financial year		-	1,465	1,465
<b>Balance as at 31 December 2015</b>		<b>-</b>	<b>913</b>	<b>913</b>
	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance as at 1 January 2016	17	-	913	913
Loss for the year		-	(959)	(959)
Total comprehensive (expense) for the financial year		-	(959)	(959)
<b>Balance as at 31 December 2016</b>		<b>-</b>	<b>(46)</b>	<b>(46)</b>

# **Lynn Wind Farm Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2016**

### **1 General information**

Lynn Wind Farm Limited (the 'Company') is a company limited by shares and incorporated and domiciled in England and Wales.

The address of its registered office is:

Eversheds LLP  
70 Great Bridgewater  
Street Manchester  
M1 5ES

The principal place of business is:  
Centrica Renewables O&M  
North Quay  
Grimsby  
DN31 3SY

### **2 Accounting policies**

#### **Basis of preparation**

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements the Company has applied the exemptions available under FRS 101, and notified its shareholders in writing accordingly, in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of GLID Wind Farms TopCo Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value; and
- Disclosures of the net cash-flows attributable to the operating, investing and financing activities of discontinued operations.

## **Lynn Wind Farm Limited**

### **2 Accounting policies (continued)**

#### **Basis of preparation (continued)**

These financial statements are presented in pound sterling (with all values rounded to the nearest thousand pounds except when otherwise indicated), which is also the functional currency of the Company.

The financial statements are prepared on the historical cost basis except for financial instruments designated at fair value through profit and loss on initial recognition. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

#### **Going concern**

The financial statements have been prepared on a going concern basis.

#### **Changes in accounting policy**

##### *Change of useful life / depreciation*

In 2016 the group sought technical advice which determined that with appropriate maintenance of the wind farm asset the total useful economic life of the asset (from first commissioning) could be 25 years. Subsequently the group has changed the UEL from 20 years to a maximum of 25 years for both plant, machinery and decommissioning assets.

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Revenue recognition**

Revenue relates to the sale of generated power and the associated Renewables Obligation Certificates ("ROCs") Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised on the basis of power supplied during the period, together with associated ROCs, except that the ROC Recycling Benefit is recognised once the cash for the benefit is received. Revenue which has not been billed at the reporting date is included as accrued income.

#### **Cost of sales**

Cost of sales includes depreciation of assets and operations and maintenance costs of the wind farm.

#### **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset or assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

## **Lynn Wind Farm Limited**

### **2 Accounting policies (continued)**

#### **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. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### **Property, plant and equipment ("PP&E")**

PP&E is stated in the Statement of Financial Position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of PP&E includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant and Machinery	Straight line, between 8 to 25 years
Decommissioning asset:	Straight line, 25 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. The 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 immediately reduced to its recoverable amount. The carrying values of PP&E are tested annually for impairment and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and, if necessary, changes are accounted for prospectively.

#### **Inventories**

Inventories are stated at the lower of cost incurred in bringing each item to its present location and condition and net realisable value. Provision is made where necessary for obsolete, slow-moving and defective inventories. Cost is determined on a FIFO (first in, first out) basis.



## **Lynn Wind Farm Limited**

### **2 Accounting policies (continued)**

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

#### **Decommissioning costs**

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.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the Income Statement within interest expense.

#### **Financial assets and liabilities**

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

#### **Trade and other receivables**

Trade receivables are amounts due from customers for power sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

## **Lynn Wind Farm Limited**

### **2 Accounting policies (continued)**

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resource received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired are deducted from equity. No gain or loss is recognised in the Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits.

#### **Interest-bearing loans and other borrowings**

All interest-bearing loans and other borrowings with banks or similar institutions and intercompany entities are initially recognised at fair value net of directly attributable transaction costs (if any, in respect of intercompany funding). After initial recognition, these financial instruments are measured at amortised cost using the 'Effective Interest Rate' method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

### **3 Critical accounting judgements and key sources of estimation uncertainty**

#### **Useful lives of PP&E**

Depreciation is charged so as to write off the costs of the assets over their estimated useful lives. The expected useful lives of the assets are anticipated to be 25 years, should the expected lives change then this will affect the annual depreciation charge. In 2016 the group sought technical advice which determined that with appropriate maintenance of the wind farm asset the total useful economic life of the asset (from first commissioning) could be 25 years. Subsequently the group has changed the UEL to a maximum of 25 years for plant, machinery and decommissioning assets.

#### **Impairment of PP&E**

The Company's wind farm assets comprise various property, plant and equipment. The Company makes judgements and estimates in considering whether the carrying amounts of these assets are recoverable. Should the recoverable amounts be less than the current carrying values then an impairment charge is made to reduce the assets down to their net recoverable amounts.

#### **Decommissioning costs**

The estimated cost of decommissioning at the end of the wind farm's life is reviewed periodically and is based on price levels and technology at the balance sheet date. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be 2033.

#### **Impairment of trade receivables**

The recoverable amount of the Company's trade receivables is assessed for recoverability and provision provided for any potential bad or doubtful debt.

## Lynn Wind Farm Limited

### 4 Revenue

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

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2016	2015
	£ 000	£ 000
Sale of generated electricity and associated environmental credits	<u>28,670</u>	<u>32,718</u>

### 5 Operating profit

	2016	2015
	£ 000	£ 000
Operating profit is stated after charging:		
Depreciation of tangible assets (note 11)	<u>7,533</u>	<u>9,570</u>

### 6 Employee' costs

The Company had no employees and therefore no staff costs (2015: £nil). Any costs relating to staff or Directors seconded to the Company were borne by other group companies of their respective ultimate parent companies.

### 7 Finance costs

	2016	2015
	£ 000	£ 000
Interest on amounts owed to group undertakings	(10,084)	(11,163)
Unwinding of discount on decommissioning provision	<u>(157)</u>	<u>(175)</u>
Total finance costs	<u>(10,241)</u>	<u>(11,338)</u>

### 8 Directors' remuneration

The aggregate emoluments paid to directors in respect of their qualifying services were £nil (2015: £nil). Lynn Wind Farm Limited is a wholly-owned subsidiary of a company that is jointly controlled and the Directors are nominated by the joint partners of its parent company. Accordingly, no emoluments are paid for their services to the Company.

### 9 Auditors' remuneration

Auditors' remuneration was £18,396 (2015: £17,753), and relates to fees for the audit of the financial statements provided to the Company.

## Lynn Wind Farm Limited

### 10 Income Tax

Tax credit for the year is higher (2015: charge lower than) the standard rate of corporation tax in the UK for the year ended 31 December 2016 at 20% (2015: 20.25%). The differences are explained below:

Tax charged/(credited) in the income statement

	2016 £ 000	2015 £ 000
<b>Deferred taxation</b>		
Current year - Origination and reversal of timing differences	(1,517)	158
Effect of changes in UK tax rates	<u>(258)</u>	<u>(973)</u>
Total deferred taxation	<u>(1,775)</u>	<u>(815)</u>
Tax on profit on ordinary activities - Income tax credit	<u>(1,775)</u>	<u>(815)</u>
	2016 £ 000	2015 £ 000
(Loss)/profit before tax	(2,734)	650
(Loss)/profit multiplied by the standard rate of tax in the UK of 20% (2015: 20.25%)	(547)	132
<b>Effects of:</b>		
Expenses not deductible	(353)	26
Change in UK tax rates	(258)	(973)
Effects of group relief/other reliefs	(991)	-
Non qualifying assets	374	-
Total Income tax credit	<u>(1,775)</u>	<u>(815)</u>

The main rate of corporation tax for the year to 31 December 2016 was 20%. The corporation tax rate will reduce to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020 following the enactment of Finance (No 2) Act 2015 and Finance Act 2016 respectively. These enacted rates have been reflected in these financial statements when providing for deferred tax.

## Lynn Wind Farm Limited

### 11 Property, plant and equipment

	Plant and machinery £ 000	Decommissioning asset £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2016	184,111	4,789	188,900
Additions	37	-	37
Revisions	(30)	1,945	1,915
<b>At 31 December 2016</b>	<b>184,118</b>	<b>6,734</b>	<b>190,852</b>
<b>Accumulated Depreciation</b>			
At 1 January 2016	63,904	2,621	66,525
Charge for the year	7,455	78	7,533
<b>At 31 December 2016</b>	<b>71,359</b>	<b>2,699</b>	<b>74,058</b>
<b>Carrying amount</b>			
<b>At 31 December 2016</b>	<b>112,759</b>	<b>4,035</b>	<b>116,794</b>
At 31 December 2015	120,207	2,168	122,375

### 12 Inventories

	2016 £ 000	2015 £ 000
Raw materials and consumables	265	1,455

Inventory expensed to the income statement in the year amounted to £90,000 (2015: £116,000). Write down of stocks and consumables in the year amounted to £863,000 (2015: £7,000). There is no significant difference between the replacement cost of inventories and their carrying amounts.

### 13 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables	-	1,814
Accrued income	7,466	10,251
Prepayment	84	1,500
	<b>7,550</b>	<b>13,565</b>

## Lynn Wind Farm Limited

### 14 Trade and other payables

	2016	2015
	£ 000	£ 000
Trade payables	1,179	1,558
Amounts owed to group undertakings	108,556	118,414
Accrued expenses	1,773	1,189
VAT	280	541
	<u>111,788</u>	<u>121,702</u>

On 4 November 2009, the Company received a secured loan of £149,600,000 from GLID Wind Farms TopCo Limited, its immediate parent undertaking. The outstanding balance at 31 December 2016 was £108,556,000 (2015: £118,414,000). The loan is repayable on demand and may be repaid by the Company at any time without penalty. The rate of interest is 9% per annum.

## Lynn Wind Farm Limited

### 15 Deferred tax liabilities

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

#### Deferred tax liabilities:

	2016	2015
	£ 000	£ 000
At 1 January	8,742	9,557
Charged to the income statement	(1,775)	(815)
At 31 December	<u>6,967</u>	<u>8,742</u>

	Provided 2016	Provided 2015
Deferred corporation tax		
-accelerated capital allowances	7,669	9,443
- other timing differences	(702)	(701)
	<u>6,967</u>	<u>8,742</u>

#### Deferred tax movement during the year:

	At January 2016	Recognised in income	At 31 December 2016
	£ 000	£ 000	£ 000
Accelerated tax depreciation	9,443	(1,774)	7,669
Other items	(701)	(1)	(702)
Net tax liabilities	<u>8,742</u>	<u>(1,775)</u>	<u>6,967</u>

## Lynn Wind Farm Limited

### 15 Deferred tax liabilities (continued)

Deferred tax movement during the prior year:

	At January 2015 £ 000	Recognised in income £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	10,268	(825)	9,443
Other items	(711)	10	(701)
<b>Net tax liabilities</b>	<b>9,557</b>	<b>(815)</b>	<b>8,742</b>

A deferred tax asset was recognised based on the expected recovery in future years following the usual business model for a project-financed wind farm, with cash generated from operations used to repay interest and loans and hence successively reduce future financing costs.

Deferred tax assets and liabilities are within the same tax jurisdiction and have been offset for financial reporting purposes:

	2016 Assets £ 000	2016 Liabilities £ 000	2015 Assets £ 000	2015 Liabilities £ 000
Gross deferred tax crystallising within one year	-	5,000	-	534
Gross deferred tax crystallising after one year	(702)	2,669	(701)	8,909
Offsetting deferred tax balances	702	(702)	701	(701)
<b>Net deferred tax balances</b>	<b>-</b>	<b>6,967</b>	<b>-</b>	<b>8,742</b>

### 16 Other provision

	2016 £ 000	2015 £ 000
<b>Decommissioning provision</b>		
At 1 January	6,062	6,624
Additions/revisions	1,945	(737)
Unwind of discounting	157	175
At 31 December	<b>8,164</b>	<b>6,062</b>

#### Decommissioning provision

The decommissioning provision represents the expected future costs of decommissioning the wind farm 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 2033. 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 3.15% (2015: 2.97%). The assumed rate of inflation is 2.5% (2015: 1.05%).



## Lynn Wind Farm Limited

### 17 Called up share capital

#### Allotted, called up and fully paid shares

	2016 No.	2016 £ 000	2015 No.	2015 £ 000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

### 18 Operating lease

	2016 £ 000	2015 £ 000
Within one year	300	294
In two to five years	1,200	1,176
In over five years	<u>3,600</u>	<u>2,352</u>
	<u>5,100</u>	<u>3,822</u>

At 31 December 2016, the Company had annual commitments under non-cancellable operating leases with the following maturity:

The amount of non-cancellable operating lease payments recognised as an expense during the year was £300,000 (2015: £294,000) and the amount of contingent rents was £78,000 (2015: £131,000).

Contingent rents relate to payments to The Crown Estate in respect of volumes in excess of the minimum output.

### 19 Financial risk management and impairment of financial assets

GLID Wind Farms TopCo Limited has provided a letter of support to Lynn Wind Farm Limited such that amounts owed to the parent company will only be requested subject to Lynn Wind Farm Limited being able to meet its liabilities as they fall due.

## **Lynn Wind Farm Limited**

### **20 Parent and ultimate parent undertaking**

The Company's immediate parent undertaking is GLID Wind Farms TopCo Limited, a company registered in England and Wales and was the parent company of the smallest and largest group to consolidate these financial statements. Copies of the GLID Wind Farms TopCo Limited financial statements can be obtained from GLID Wind Farms TopCo Limited, Eversheds LLP, 70 Great Bridgewater Street, Manchester, M1 5ES.

Until 7 March 2016 GLID Wind Farms TopCo Limited's immediate parent undertakings were GLID Limited, a company registered in England and Wales, and Boreas Holdings S.à.r.l., a company registered in Luxembourg, each of which held a 50% interest in the Company.

GLID Limited's ultimate parent undertaking was Centrica plc, a company registered in England and Wales. Boreas Holdings S.à.r.l. was a Luxembourg limited liability company 100% owned by funds managed and/or advised by EIG Management Company, LLC, a US (Delaware) limited liability company.

The consolidated financial statements of Centrica plc may be obtained from [www.centrica.com](http://www.centrica.com). The consolidated financial statements of Boreas Holdings S.à.r.l are available by request of its Administrative Agent at 1700 Pennsylvania Ave, NW, Suite 800, Washington, DC 20006, USA.

On 7 March 2016, each of GLID Limited and Boreas Holdings S.à.r.l. agreed to sell their respective 50% shareholding in GLID Wind Farms TopCo Limited, the Company's parent undertaking, to UK Green Investment LID Limited (60.8% holding), RI Income UK Holdings Limited (34.3% holding) and RI EU Holdings (UK) Limited (4.9% holding).

UK Green Investment LID Limited are 100% owned by funds managed and/or advised by UK Green Investment Bank plc, a company registered in England and Wales. The consolidated financial statements of UK Green Investment Bank plc may be obtained from Level 13, 21-24 Millbank Tower, Millbank, London, SW1P 4QP.

RI Income UK Holdings Limited's ultimate parent undertaking is Renewable Income UK, a sub-fund of BlackRock Infrastructure Funds plc and RI EU Holdings (UK) Limited's ultimate parent undertaking is Renewable Income Europe, a sub fund of BlackRock Infrastructure Funds plc, a company registered in Ireland. The consolidated financial statements of BlackRock Infrastructure Funds plc may be obtained from JP Morgan House, IFSC, Dublin 1.

### **21 Related Party Transactions**

During the period from 1 January 2016 to 7 March 2016 sales of generated electricity and associated environmental credits to British Gas Trading Limited, a wholly-owned subsidiary of Centrica plc, amounted to £4,664,000 (2015: £26,179,000) and are included in revenue for the year.

At 31 December 2016, the balance receivable from British Gas Trading Limited for these sales amounted to £nil (2015: £7,886,000); as the corresponding sales, had not been invoiced at the balance sheet date, this balance is disclosed in note 13 under accrued income.

No provision for bad or doubtful debts owed by related parties was required (2015: £nil).