

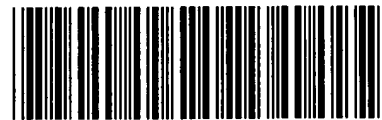
Registration number: 03275445

# Centrica Renewable Energy Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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# **Centrica Renewable Energy Limited**

## **Contents**

	page(s)
Strategic Report	1 to 2
Directors' Report	3 to 5
Independent Auditors' Report	6 to 7
Income Statement	8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 28

# **Centrica Renewable Energy Limited**

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

The Directors present their Strategic Report for Centrica Renewable Energy Limited for the year ended 31 December 2016.

### **Review of the business**

The principal activities of the Company during the year were the holding of investments in subsidiary companies that are operating wind farms and the provision of management services, operational services and support services to joint ventures.

The Company's activity occurred wholly within the United Kingdom.

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

On 7 March 2016 GLID Limited (a direct subsidiary company) and its 50% joint venture partner Boreas Holdings S.à.r.l. agreed a joint sale of GLID Wind Farms TopCo Limited, to UK Green Investment LID Limited (60.8%), RI Income UK Holdings Limited (34.3%) and RI EU Holdings (UK) Limited (4.9%).

On 7 March 2016 the Company agreed to continue providing management services, operational services and support services to GLID Limited until 7th March 2017.

On 25 August 2016 an agreement was signed to sell the leasehold properties held at Kemp Road, North Wall Grimsby and land at North Wall, Fish Docks, Grimsby to GLID Wind Farms Topco Limited with a completion date of 31 March 2017. As a result these assets are now classified as held for sale (as shown in note 14).

On 20 December 2016 GLID Limited paid a dividend to the Company of £92,463,255 leaving GLID Limited with £nil remaining net assets. As a result the Company has fully impaired the carrying value of GLID Limited to £nil.

### **Principal risks and uncertainties**

The Company's principal risks are the ability of its subsidiaries and joint venture to make loan repayments and to pay dividends when appropriate. These risks are driven by the availability and technical performance of the wind turbines and ancillary equipment.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 56-64 of the Annual Report and Accounts 2016 of the Group which does not form part of this report.

### **Exit from the European Union**

The UK referendum vote in June to leave the European Union has added to the uncertainties faced by the business. However, we believe that the direct impact on the business of these events is limited in the short-term. Many details of the implementation process remain unclear. Extricate from the European Union treaties is a task of immense complexity but with that being said, the business is well-positioned to manage any market impacts. There are also potential tax consequences of the withdrawal agreement which we will continue to reassess (at each reporting date) to ensure our tax provisions reflect the most likely outcome following the withdrawal.

### **Key Performance Indicators**

The Directors of the Centrica plc group ("the Group") use a number of key performance indicators to monitor progress against the Group's strategy. The development and performance of the Group, which includes the Company, are discussed on pages 18-19 of the 2016 Centrica plc Annual Report and Accounts which does not form part of this report.

## **Centrica Renewable Energy Limited**

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

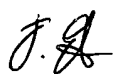
#### **Future developments and post-balance sheet events**

On 17 February 2017 Centrica (Lincs) Wind Farm Limited (a direct subsidiary company) and its 50% joint venture partner Lincs Renewable Energy Holdings Ltd agreed a joint sale of Lincs Wind Farm Limited, a company registered in England and Wales. No further activity is planned in Centrica Lincs Wind Farm Limited and it is expected that the entity will become dormant in future periods. The current carrying value of the investment in Centrica Lincs Wind Farm Limited is still supported by the value of underlying net assets.

The Company have agreed to continue providing management services, operational services and support services to Lincs Wind Farm Limited until 17 February 2018.

No further activity is planned in GLID Limited and it is expected that the entity will become dormant in future periods.

Approved by the Board on 18 August 2017 and signed on its behalf by:



J. ELLIOT

By order of the Board for and on behalf of Centrica Secretaries Limited  
**Company Secretary**

Company registered in England and Wales, No. 03275445  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Renewable Energy 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 of the Company who were in office during the year and up to the date of signing the financial statements were:

R M McCord

P Koch De Gooreynd

M Futyan (appointed 2 November 2016)

T C Murphy (resigned 2 November 2016)

S P Redfern (resigned 28 February 2017)

#### **Results and dividends**

The results of the Company are set out on page 7. The profit for the financial year ended 31 December 2016 is £40,792,000 (2015: loss of £7,983,405). No dividends were paid for the year ended 31 December 2016 (2015: £nil). The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2016 (2015: £nil)

#### **Financial 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 and liquidity risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with Centrica plc group undertakings.

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

#### **Future developments**

Future developments are discussed in the Strategic Report on page 1.

#### **Going concern**

The Financial Statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the Financial Statements were authorised.

#### **Directors' liabilities**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the financial year under review. The insurance does not provide cover in the event that the directors are proved to have acted fraudulently.

## **Centrica Renewable Energy Limited**

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

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 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. 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 the 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 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.

#### **Independent auditors**

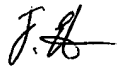
Following a rigorous selection by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditors for the financial year commencing from 1 January 2017. Consequently, PricewaterhouseCoopers LLP will remain auditors of Centrica Renewable Energy Limited until the formal resignation process has been completed later in 2017, after which Deloitte LLP will be appointed as auditors of Centrica Renewable Energy Limited.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office, until the formal resignation process has been completed.

**Centrica Renewable Energy Limited**

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

Approved by the Board on 18 August 2017 and signed on its behalf by:

 J. ELLIOT

By order of the Board for and on behalf of Centrica Secretaries Limited  
**Company Secretary**

Company registered in England and Wales, No. 03275445  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Renewable Energy Limited**

### **Independent Auditors' Report to the Members of Centrica Renewable Energy Limited**

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

##### ***Our opinion***

In our opinion, Centrica Renewable Energy 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 profit 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, comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and 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.

#### **Opinions on other matters 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 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.



## **Centrica Renewable Energy Limited**

### **Independent Auditors' Report to the Members of Centrica Renewable Energy 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 4, 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 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**

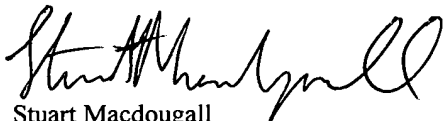
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Stuart Macdougall  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date: 18 August 2017

# Centrica Renewable Energy Limited

## Income Statement for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Revenue	4	11,884	15,152
Cost of sales	5	<u>(3,353)</u>	<u>(3,085)</u>
Gross profit		<u>8,531</u>	<u>12,067</u>
Operating costs before exceptional items	5	(12,617)	(20,050)
Exceptional item - impairment of other receivable	7	-	(1,500)
Exceptional item - impairment of subsidiary	7	<u>(48,384)</u>	<u>-</u>
Operating costs		(61,001)	(21,550)
Operating loss		(52,470)	(9,483)
Finance income	8	96,363	109
Finance cost	8	<u>(421)</u>	<u>(507)</u>
Profit/(loss) before tax		43,472	(9,881)
Tax on profit/(loss)	10	<u>(2,680)</u>	<u>1,898</u>
Profit/(loss) for the year		<u>40,792</u>	<u>(7,983)</u>

The notes on pages 12 to 28 form an integral part of these financial statements.

## **Centrica Renewable Energy Limited**

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

	<b>2016</b> <b>£ 000</b>	<b>2015</b> <b>£ 000</b>
Profit/(loss) for the year	<u>40,792</u>	<u>(7,983)</u>
Total comprehensive loss for the year	<u><u>40,792</u></u>	<u><u>(7,983)</u></u>

The notes on pages 12 to 28 form an integral part of these financial statements.

# Centrica Renewable Energy Limited

## Statement of Financial Position as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	11	-	3,759
Investments	12	1,997	50,381
		<u>1,997</u>	<u>54,140</u>
<b>Current assets</b>			
Trade and other receivables	13	151,085	69,308
Assets classified as held for sale	14	3,538	-
Cash and cash equivalents		4	-
		<u>154,627</u>	<u>69,308</u>
<b>Total assets</b>		<b>156,624</b>	<b>123,448</b>
<b>Current liabilities</b>			
Trade and other payables	15	(446)	(3,840)
Current tax liabilities	10	(5,390)	(2,373)
Provisions for other liabilities and charges	17	-	(7,257)
		<u>(5,836)</u>	<u>(13,470)</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	(59)	(41)
		<u>(59)</u>	<u>(41)</u>
<b>Total liabilities</b>		<b>(5,895)</b>	<b>(13,511)</b>
<b>Net assets</b>		<b>150,729</b>	<b>109,937</b>
<b>Equity</b>			
Called up share capital	18	1	1
Retained earnings		150,728	109,936
<b>Total equity</b>		<b>150,729</b>	<b>109,937</b>

The financial statements on pages 8 to 28 were approved and authorised for issue by the Board of Directors on 18 August 2017 and signed on its behalf by:



Mr R McCord

Company number 03275445

The notes on pages 12 to 28 form an integral part of these financial statements.

# Centrica Renewable Energy Limited

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

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	1	109,936	109,937
Profit for the year	-	40,792	40,792
Total comprehensive income	1	150,728	150,729
At 31 December 2016	1	150,728	150,729

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	1	117,919	117,920
Loss for the year	-	(7,983)	(7,983)
Total comprehensive income	1	109,936	109,937
At 31 December 2015	1	109,936	109,937

The notes on pages 12 to 28 form an integral part of these financial statements.

# **Centrica Renewable Energy Limited**

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

### **1 General information**

Centrica Renewable Energy Limited (the 'Company') is a company limited by share capital incorporated and domiciled in UK.

The address of its registered office and principal place of business is:

Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Renewable Energy Limited**

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

#### **2 Accounting policies**

##### **Basis of preparation**

The Company 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 as 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.

These financial statements are presented in pound sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company. Operations and transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

The financial statements are prepared on the historical cost basis.

##### **Going concern**

The Financial Statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the Financial Statements were authorised.

##### **Summary of disclosure exemptions**

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Comparative period reconciliations for share capital;
- Disclosures in respect of related parties transactions with wholly-owned subsidiaries;
- 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.

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements as it's a wholly-owned subsidiary of Centrica plc. These financial statements present information about the Company as an individual undertaking and not about its group.

## **Centrica Renewable Energy Limited**

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

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

##### **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 comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue consists substantially of income receivable from the Company's related parties GLID Wind Farms Topco Limited, Lincs Wind Farm Limited and Celtic Array Limited for managerial, operational and support services provided. The income is recognised as the service is provided.

Revenue recognised on an accruals basis and is shown net of sales/value added tax, returns, rebates and discounts.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Dividend income is recognised when the right to receive payment is established.

##### **Cost of sales**

Cost of sales includes those costs directly incurred in the provision of management and support services.

##### **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 of 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.

##### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing at the reporting period date, and associated gains and losses are recognised in the income statement for the period, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement in the respective financial line item to which they relate.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.



# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 2 Accounting policies (continued)

#### Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. Items which may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings, significant onerous contract charges and asset write-downs/impairments.

#### Taxation

Current tax, including UK corporation tax, UK petroleum revenue tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax is recognised in the income statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the balance sheet date.

#### Property, plant and equipment ('PP&E')

Leasehold improvement comprises building, machinery, fixtures, fittings and hardware assets associated with the base of operations that provides maintenance and storage services to the joint venture wind farms. These assets are included in the balance sheet at historic cost, less accumulated depreciation.

#### Depreciation

Depreciation is charged on fixed assets at rates calculated to write off the cost of each asset less the residual value on a straight-line basis over its expected useful life as follows for these asset classes:

Asset class	Depreciation method and rate
Leasehold improvements	Straight line, up to 25 years

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.

## **Centrica Renewable Energy Limited**

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

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

##### **Investments in subsidiaries**

Fixed assets investments in subsidiaries' shares are held at cost in accordance with IAS 27, less any provision for impairment as necessary.

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Where discounting is used, the increase in the provision due to the passage of time is recognised in the income statement within interest expense.

##### **Decommissioning costs**

Provision is made for the net present value of the estimated cost of decommissioning assets at the end of their useful lives, 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.

The carrying amounts of the Company's financial assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The impairment loss is recognised in the income statement. If an impairment loss recognised in prior periods decreases as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss will be reversed, with the amount of the reversal recognised in the income statement.

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

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the effective interest rate ('EIR') (although in practice the discounting is often immaterial) less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group may not be able to collect the trade receivable. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less receivables are classified as current assets. If not they are presented as non-current assets.

# **Centrica Renewable Energy Limited**

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

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

#### **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.

Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR method (although, in practice, the discount is often immaterial). If payment is due within one year or less payables are classified as current liabilities. If not, they are presented as non-current liabilities.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources 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 (treasury or own shares) 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 in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

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

All interest-bearing (and interest free) 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 EIR 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.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, which are recognised initially at fair value within the Company's statement of financial position. Available-for-sale financial assets are re-measured subsequently at fair value with gains and losses arising from changes in fair value recognised directly in equity and presented in the Company's statement of comprehensive income, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement of the period. Accrued interest or dividends arising on available-for-sale financial assets are recognised in the income statement.

At each balance sheet date the Company assesses whether there is objective evidence that available-for-sale financial assets are impaired. If any such evidence exists, cumulative losses recognised in equity are removed from equity and recognised in the income statement. The cumulative loss removed from equity represents the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

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

On 7 March 2016 GLID Limited (a direct subsidiary company) and its 50% joint venture partner Boreas Holdings S.à.r.l. agreed a joint sale of GLID Wind Farms TopCo Limited, to UK Green Investment LID Limited (60.8%), RI Income UK Holdings Limited (34.3%) and RI EU Holdings (UK) Limited (4.9%). No further activity is planned in GLID Limited and it is expected that the entity will become dormant in future periods. On 20 December 2016 GLID Limited paid a dividend to the Company of £92,463,255 leaving GLID Limited with £nil remaining net assets. As a result the Company has fully impaired the carrying value of GLID Limited to £nil.

On 25 August 2016 an agreement was signed to sell the leasehold properties held at Kemp Road, North Wall Grimsby and land at North Wall, Fish Docks, Grimsby to GLID Wind Farms Topco Limited with a completion date of 31 March 2017. As a result these assets are now classified as held for sale (as shown in note 14).

The impairment of other receivable in 2015 related to costs incurred on the upgrade of a vessel previously chartered by the Company which were considered to be non-recoverable. This was a one-off receivable balance and therefore no such similar impairment required in 2016.

### 4 Revenue

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

	2016 £ 000	2015 £ 000
Managerial, operational and support services	11,884	15,152

### 5 Analysis of costs by nature

	2016			2015		
	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000
Operating leases - land and buildings	-	264	264	-	264	264
Depreciation	158	93	251	140	93	233
Contractor costs	369	75	444	796	264	1,060
Other operating costs	2,826	12,185	15,011	2,149	19,429	21,578
<b>Total operating costs by nature</b>	<b>3,353</b>	<b>12,617</b>	<b>15,970</b>	<b>3,085</b>	<b>20,050</b>	<b>23,135</b>

# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 6 Employees' costs

The Company has no employees and no staff costs (2015: £nil). Any costs relating to employees are borne by other Centrica group companies.

In respect of the Directors' remuneration, refer to note 20 'related parties' transactions.

### 7 Exceptional items

The following exceptional items were recognised in arriving at the operating loss of the reporting period:

	2016 £ 000	2015 £ 000
Impairment of other receivable	-	(1,500)
Impairment of subsidiary	(48,384)	-
	<u>(48,384)</u>	<u>(1,500)</u>

On 7 March 2016 GLID Limited (a direct subsidiary company) and its 50% joint venture partner Boreas Holdings S.à.r.l. agreed a joint sale of GLID Wind Farms TopCo Limited, to UK Green Investment LID Limited (60.8%), RI Income UK Holdings Limited (34.3%) and RI EU Holdings (UK) Limited (4.9%). On 20 December 2016 GLID Limited paid a dividend to the Company of £92,463,255 leaving GLID Limited with £nil remaining net assets. As a result the Company has fully impaired the remaining carrying value of GLID Limited of £48,384,000 to £nil.

The impairment of other receivable in 2015 related to costs incurred on the upgrade of a vessel previously chartered by the Company which were considered to be non-recoverable.

### 8 Net finance income/(cost)

	2016 £ 000	2015 £ 000
Interest income on bank and other short-term deposits	3,900	109
Dividend income from GLID Ltd	92,463	-
<b>Total finance income</b>	<u>96,363</u>	<u>109</u>

	2016 £ 000	2015 £ 000
Other finance costs	(421)	(507)
<b>Total finance cost</b>	<u>(421)</u>	<u>(507)</u>
<b>Net finance income/(cost)</b>	<u>95,942</u>	<u>(398)</u>

## Centrica Renewable Energy Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 8 Net finance income/(cost) (continued)

Interest payable to other Group undertakings is accrued at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.04% and 4.04% per annum during 2016 (2015: 2.36% and 2.88%).

Other interest payable is interest accrued during the year on a £4m payable to Lincs Renewable Energy Holdings Limited as described in note 17.

#### 9 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Financial Statements provided to the Company.

	2016 £ 000	2015 £ 000
Audit of the Financial Statements	52	51

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group Financial statements of its ultimate parent, Centrica Plc.

#### 10 Income tax

Tax credited in the income statement

	2016 £ 000	2015 £ 000
<b>Current taxation</b>		
UK corporation tax at 20.00% (2015: 20.25%)	(239)	(1,563)
UK corporation tax adjustment to prior periods	2,902	(360)
	2,663	(1,923)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences - UK	16	30
Arising from changes in tax rates and laws	1	(10)
Total deferred taxation	17	20
Tax expense/(receipt) in the income statement	2,680	(1,903)

# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 10 Income tax (continued)

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax rate to the profit before tax are reconciled below:

	2016 £ 000	2015 £ 000
Loss before tax	43,472	(9,881)
Tax expense at standard UK rate of 20.00% (2015: 20.25%)	8,694	(2,001)
<i>Effects of:</i>		
Expenses not deductible	9,712	467
Adjustments in respect of prior periods	2,902	(359)
Income not taxable	(18,629)	-
Group relief	(233)	-
Transfer pricing adjustments	233	-
Tax rate changes	1	(5)
Total income tax expense/(credit)	2,680	(1,898)

The Company earns all of its profits in the UK. All of these UK activities are subject to the standard rate for UK corporation tax, which from 1 April 2016 was 20% (2015: 20.25%).

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.

## Centrica Renewable Energy Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 11 Property, plant and equipment

	Leasehold improvements £ 000
<b>Cost</b>	
At 1 January 2016	4,442
Additions	30
Transfers to a disposal group classified as assets held for sale	(4,472)
At 31 December 2016	-
<b>Accumulated Depreciation</b>	
At 1 January 2016	683
Depreciation charge for the year	251
Transfers to a disposal group classified as assets held for sale	(934)
At 31 December 2016	-
<b>Net Book Value</b>	
At 31 December 2016	-
At 31 December 2015	3,759

On 25 August 2016 an agreement was signed to sell the leasehold properties held at Kemp Road, North Wall Grimsby and land at North Wall, Fish Docks, Grimsby to GLID Wind Farms Topco Limited with a completion date of 31 March 2017. As a result these assets are now classified as held for sale (as shown in note 14).



# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 12 Investments

	Shares in group undertakings (subsidiaries) £ 000
<i>Equity investments</i>	
<b>Cost</b>	
At 1 January 2016	55,681
At 31 December 2016	55,681
<b>Provision</b>	
At 1 January 2016	5,300
Impairments provided in the year	48,384
At 31 December 2016	53,684
<b>Net book values</b>	
At 31 December 2016	1,997
At 31 December 2015	50,381

On 7 March 2016 GLID Limited (a direct subsidiary company) and its 50% joint venture partner Boreas Holdings S.à.r.l. agreed a joint sale of GLID Wind Farms TopCo Limited, to UK Green Investment LID Limited (60.8%), RI Income UK Holdings Limited (34.3%) and RI EU Holdings (UK) Limited (4.9%). No further activity is planned in GLID Limited and it is expected that the entity will become dormant in future periods.

On 20 December 2016 GLID Limited paid a dividend to the Company of £92,463,255 leaving GLID Limited with £nil remaining net assets. As a result the Company has fully impaired the remaining carrying value of GLID Limited of £48,384,000 to £nil.

At the 31 December 2016 the carrying value of Centrica (Lincs) Wind Farm Limited was £1,997,000 (2015: £1,997,000) and the Directors believe that this is supported by the value of their underlying net assets of £47,555,000.

# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 12 Investments (continued)

Details of the equity interests of the Company in its subsidiaries undertakings are as follows as at 31 December 2016:

Name of subsidiary	Principal activity	Class of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
				2016	2015
GLID Limited*	Dormant	ordinary	England and Wales	100%	100%
Centrica (Lincs) Wind Farm Limited*	Investment in renewable energy joint venture	ordinary	England and Wales	100%	100%
Centrica (DSW) Limited*	Non-trading	ordinary	England and Wales	100%	100%
Centrica (BOW) Limited*	Dormant	ordinary	England and Wales	100%	100%

\* indicates direct investment of the Company

On 18 January 2017 Centrica (BOW) Limited was renamed Distributed Energy Asset Solutions Limited and Centrica (DSW) Limited was renamed Distributed Energy Customer Solutions Limited.

### 13 Trade and other receivables

	2016 Current £ 000	2015 Current £ 000
Amounts owed by group undertakings	147,600	65,623
Prepayments	50	62
Other receivables	797	1,219
Accrued income	2,638	2,404
	<u>151,085</u>	<u>69,308</u>

The amounts receivable from Group undertakings includes a receivable of £71m (2015: £76m) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.04% and 4.04% per annum during 2016 (2015: 2.36% and 2.88%). The remaining amount is a receivable from Group Undertakings of £77m (2015: payable of £12m) which is interest free. All amounts receivable from Group undertakings are unsecured and repayable on demand.

# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 14 Assets classified as held for sale

	2016 Current £ 000	2015 Current £ 000
Property, plant and equipment	<u>3,538</u>	<u>-</u>

On 25 August 2016 an agreement was signed to sell the leasehold properties held at Kemp Road, North Wall Grimsby and land at North Wall, Fish Docks, Grimsby to GLID Wind Farms Topco Limited with a completion date of 31 March 2017. As a result these assets are classified as held for sale.

### 15 Trade and other payables

	2016 Current £ 000	2015 Current £ 000
Trade payables	168	468
Accrued expenses	136	423
Social security and other taxes	94	418
Other payables	<u>48</u>	<u>2,531</u>
	<u>446</u>	<u>3,840</u>

### 16 Deferred tax

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

	Deferred tax liability £ 000
1 January 2015	<u>41</u>
31 December 2015	41
Charged to the income statement	<u>18</u>
<b>31 December 2016</b>	<u>59</u>
<b>2016</b>	<b>Provided £ 000</b>
Accelerated tax depreciation	<u>59</u>
<b>2015</b>	<b>Provided £ 000</b>
Accelerated tax depreciation	<u>41</u>

# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 16 Deferred tax (continued)

Deferred tax movement during the year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	41	18	59

Deferred tax movement during the prior year:

	At 1 January 2015 £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	41	41

The deferred tax liabilities payable after 12 months are £nil (2015: £41,000)

### 17 Provisions for other liabilities and charges

	Decommissioning £ 000	Other provisions £ 000	Total £ 000
At 1 January 2016	781	6,476	7,257
Additional provisions	-	460	460
Provisions used	(95)	(6,936)	(7,031)
Unused provision released to the income statement	(686)	-	(686)
At 31 December 2016	-	-	-

#### Decommissioning

As a result of the hive up of Centrica (DSW) Limited on 31 October 2014, an abandonment provision of £1,662,000 was transferred to the Company. £881,000 of the costs provided for were incurred during 2015. £95,000 of further costs were incurred during 2016 and the asset is now fully decommissioned. The remaining provision of £686,000 was released to the income statement during 2016.

#### Other provisions

Other provisions included £6,936,000 of costs in relation to a payment per the Share Purchase Agreement for Lincs Wind Farm Limited executed in 2010 payable to Lincs Renewable Energy Holdings Limited. The contracted payment of £6,936,000 was made on 7th October 2016 therefore reducing the provision to £nil.

# Centrica Renewable Energy Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 18 Called up share capital

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

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

The balance classified as retained earnings includes the profit and losses realised by the company in previous periods that were not distributed to the shareholders of the company at the balance sheet date.

### 19 Operating leases

#### Leases as lessee

At 31 December 2016 the company had annual commitments under non-cancellable operating leases for land and buildings with the following maturity:

	2016 £ 000	2015 £ 000
Within one year	264	264
In two to five years	1,056	1,056
In over five years	<u>5,379</u>	<u>5,643</u>
	<u>6,699</u>	<u>6,963</u>

### 20 Related party transactions

During the year the Company earned income in relation to managerial and support services:

	2016 Joint ventures £ 000	2015 Joint ventures £ 000
Managerial and support services - GLID Wind Farms TopCo Limited	953	6,785
Managerial and support services - Lincs Wind Farm Limited	6,036	7,390
Managerial and support services - Celtic Array Limited	10	44
Amounts receivable from GLID Wind Farms TopCo Limited	-	1,499
Amounts receivable from Lincs Wind Farm Limited	1,553	2,123
Amounts receivable from Celtic Array Limited	<u>2</u>	<u>1</u>

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

## Centrica Renewable Energy Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 20 Related party transactions (continued)

##### Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Directors' emoluments	327	370
Contributions into pension schemes	57	48
	<u>384</u>	<u>418</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £165,092 (2015:£159,779), and company pension contributions of £31,807 (2015:£22,701) were made to a money purchase scheme on his behalf. This Director is also a member of a defined benefit scheme, under which the accrued pension at the year-end was £19,210 (2015:£16,979).

During the year the number of Directors who received post-employment benefits and share incentives was as follows:

	2016 No.	2015 No.
Received or were entitled to receive shares under long term incentive schemes	4	3
Exercised share options	-	1
Accruing benefits under defined benefit pension scheme	4	3
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

#### 21 Parent and ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales.

The ultimate parent 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 statements. Copies of the Centrica plc consolidated financial statements may be obtained from [www.centrica.com](http://www.centrica.com).

#### 22 Events after the financial period

On 17 February 2017 Centrica (Lincs) Wind Farm Limited (a direct subsidiary company) and its 50% joint venture partner Lincs Renewable Energy Holdings Ltd completed a joint sale of Lincs Wind Farm Limited, a company registered in England and Wales.

On 27 April 2017 the leasehold properties held at Kemp Road, North Wall Grimsby and land at North Wall, Fish Docks, Grimsby (as shown in note 14) were sold to GLID Wind Farms Topco Limited.