

Blackstone Edge Wind Farm Limited

Annual report and financial statements

Registered number 07474312

Year ended 31 December 2018

**COMPANIES HOUSE
EDINBURGH**

17 SEP 2019

FRONT DESK



Contents

Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report to the members of Blackstone Edge Wind Farm Limited	4
Profit and loss account and other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Directors' report

The directors (the "Directors") present their Directors' report and audited financial statements for Blackstone Edge Wind Farm Limited (the "Company") for the year ended 31 December 2018. The Company has adopted the exemptions available in Sections 414(B) and 416(3) of the Companies Act 2006 with regard to the Small Companies Regime. Accordingly the Company has elected not to prepare a strategic report or as part of the Directors' report, disclosures relating to the dividends declared and (if any) paid during the year under review.

On 12 May 2017 the Company and other related entities formally controlled by Infinis Energy Limited were sold to Ventient Energy Limited, who are ultimately controlled by IIF Int'l Holding LLP (refer to note 14 for further information).

Principal activities

The principal activity of the Company is the generation and sale of electricity in the UK from onshore wind turbines.

Directors

The Directors of the Company during the year and up to the date of signing the accounts were as follows:

D H Griffiths	
A W Lee	
M A Walters	
K Brown	(resigned 4 July 2019)
D M Zuydam	(appointed 11 July 2019)
M R Jones	(appointed 30 January 2019)
S L Mackenzie	(resigned 30 January 2019)

Directors' indemnity and insurance

An associated company has arranged directors' and officers' liability insurance.

Political and charitable contributions

No political or charitable contributions were made during the year (2017: £nil)

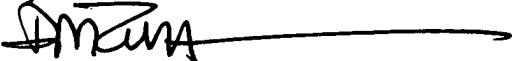
Statement of disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



D M Zuydam
Director

29 August 2019

Registered office: C/O Morton Fraser LLP, St Martin's House,
16 St Martins le Grand, London,
EC1A 4EN

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Blackstone Edge Wind Farm Limited

We have audited the financial statements of Blackstone Edge Wind Farm Limited (the company) for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of PPE and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Blackstone Edge Wind Farm Limited

(continued)

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial period is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at <http://www.frc.org.uk/auditorsresponsibilities>.

Independent auditor's report to the members of Blackstone Edge Wind Farm Limited

(continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

319 St. Vincent Street
Glasgow
G2 5AS
United Kingdom

30/08/2019

Profit and loss account and other comprehensive income
for the year ended 31 December 2018

		12 months to 31 December 2018	9 months to 31 December 2017
	Note	£'000	£'000
Turnover		1,757	1,346
Cost of sales		(902)	(518)
Gross profit		855	828
Administrative expenses		(79)	(60)
Operating profit	2	776	768
Interest payable and similar charges	5	(896)	(673)
(Loss)/profit before taxation		(120)	95
Tax on (loss)/profit	6	31	(221)
Loss for the financial year		(89)	(126)

The Company has no other comprehensive income or loss items and therefore total comprehensive loss for the year is £89,000 (2017: loss £126,000).


The notes on pages 10 to 23 form part of these financial statements.

Balance sheet
at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	7	1,329	1,398
Tangible assets	8	7,175	7,398
		<u>8,504</u>	<u>8,796</u>
Current assets			
Debtors	9	1,945	1,629
Cash at bank and in hand		27	476
		<u>1,972</u>	<u>2,105</u>
Creditors: amounts falling due within one year	10	<u>(11,380)</u>	<u>(11,818)</u>
Net current liabilities		<u>(9,408)</u>	<u>(9,713)</u>
Total assets less current liabilities		<u>(904)</u>	<u>(917)</u>
Provision for liabilities			
Deferred tax liability	11	(15)	(59)
Provisions	12	(573)	(427)
		<u>(588)</u>	<u>(486)</u>
Net liabilities		<u>(1,492)</u>	<u>(1,403)</u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		<u>(1,492)</u>	<u>(1,403)</u>
Shareholder's deficit		<u>(1,492)</u>	<u>(1,403)</u>

The notes on pages 10 to 23 form part of these financial statements.

The financial statements were approved by the board of Directors on 29 August 2019 and were signed on its behalf by:


D M Zuydam
Director
Company registration no. 07474312

Statement of changes in equity

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2018	-	(1,403)	(1,403)
Total comprehensive expense for the year			
Loss for the year	-	(89)	(89)
Total comprehensive expense for the year	-	(89)	(89)
Balance at 31 December 2018	-	(1,492)	(1,492)

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2017	-	(1,277)	(1,277)
Total comprehensive expense for the period			
Loss for the period	-	(126)	(126)
Total comprehensive expense for the period	-	(126)	(126)
Balance at 31 December 2017	-	(1,403)	(1,403)

Notes (forming part of the financial statements)

1 Accounting policies

Basis of preparation

Blackstone Edge Wind Farm Limited is a private company incorporated, domiciled and registered in the UK. The registered number is 07474312 and the registered address is C/O Morton Fraser LLP, St Martin's House, 16 St Martins le Grand, London, EC1A 4EN.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

All amounts in the financial statements have been rounded to the nearest £1,000.

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.

The Company's ultimate parent undertaking, Ventient Energy Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Ventient Energy Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, C/O Morton Fraser LLP, 5th Floor, Quartermile Two, 2 Lister Square, Edinburgh, EH3 9GL.

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 share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Ventient Energy Limited, the Company's ultimate parent undertaking, 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.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

Change in accounting policy

The company adopted IFRS 9 *Financial Instruments* with effect from 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except comparative periods have not been restated. There were no significant differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9.

The company adopted IFRS 15 *Revenue from Contracts with Customers* with effect from 1 January 2018, using the cumulative effect method. Accordingly, information for the previous year was not restated and is reported, as previously, in accordance with IAS 18 *Revenue* and the relevant interpretations. IFRS 15 replaces these standards and contains a comprehensive approach to determine whether, when, and to what extent revenue from contracts with customers is to be reported.

The adoption of IFRS 15 had no material effect on the income statement, balance sheet or statement of changes in equity since the business models employed by the company, in particular the time of delivery of generated electricity, is identical to the transfer of risks and opportunities.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £9,408,000 (2017: net current liabilities £9,713,000). The Directors believe this to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by entities within the Ventient Energy Limited group ('the Group'). This Group is also subject to common bank loan arrangements. The Group continues to operate within its restrictive covenants. No breach of key ratios is forecast, however should a breach occur the Group has the opportunity to obtain an equity injection to cure the default. The Parent, Ventient Energy Limited has indicated that it intends to provide sufficient funds to allow the Company to meet its financial liabilities and obligations as they fall due for the twelve months after the date upon which the statutory accounts of the Company are finalised by signature of the audit opinion thereto, to the extent where applicable that the Company remains a subsidiary of the Group. The Parent has indicated that any intercompany balances, which are due on demand, will not be called for if such repayment would be likely to give rise to the inability of the Company to meet its financial liabilities and obligations as they fall due. The Parent, or other companies under common ownership have sufficient resources to make this commitment. As such, the Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on the above, Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Revenue

Revenue is the income derived from the sale of generated electricity and associated renewable certificates and embedded benefits, measured at the fair value of consideration received or receivable, net of value added tax to electricity retailers. All revenue is generated in the United Kingdom.

Revenue is recognised where there is a signed unconditional contract of sale and is based upon the quantity of electricity exported and the contracted rate on the date of generation.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

Revenue (continued)

Revenue includes an estimate for the recycled price of Renewable Obligation Certificates (ROCs) sold during the financial period. This price is variable and is estimated based on a number of factors including UK electricity demand, targets set for renewable generation in the UK and the actual amount of UK renewable energy generation achieved.

The company is obliged to deliver power and to record the quantity and value accurately. These obligations are satisfied when the wholesale customer submits monthly self-billing statements of usage and these have been matched to the Group's generation records

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued by reference to the principal outstanding and the interest rate applicable.

Interest payable

Interest payable is recognised in the profit and loss account as it accrues, using the effective interest method.

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

Wind usage rights are amortised on a straight-line basis over the lower of the lease term or 20 - 25 years.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, borrowing costs, and any costs of acquisition.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs (including interest) directly attributable to bringing the asset to a working condition for its intended use. During the construction phase these assets are held separately and depreciation commences once the asset is commissioned.

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the final economic benefits will flow to the Group. The carrying amount of the asset replaced is then derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets less the residual value. The estimated useful lives are as follows:

Operating wind farm	20 - 25 years
Decommissioning asset	20 - 25 years

Provisions

Decommissioning of wind farms

A provision is made for the decommissioning of the wind farms based on the Company's best estimate of the cost of decommissioning. These costs are a contractual obligation when the planning consent is granted to ensure appropriate restoration of the land.

Provisions for decommissioning are recognised in full when the related facilities are constructed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment as a decommissioning asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed at each balance sheet date. Changes in the estimated timing and value of decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset cost. The unwinding of the discount on the decommissioning provision is included as a finance cost.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15). The company measures loss allowances at an amount equal to lifetime ECL (the ECLs that result from all possible default events over the expected life of a financial instrument), except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other debtors

Trade and other receivables are recognised initially at amortised cost. Subsequent to initial recognition an estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

Trade and other creditors

Trade and other creditors are carried at cost, the contractually liable amount or an estimate of this where no invoice has been received.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

Accounting estimates and judgments

In the process of applying the Company's accounting policies, management necessarily makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgments and estimates are explained below.

Impairment

In assessing impairment, judgment is required to establish whether there have been indicators of impairment for all amortising and depreciating fixed assets.

Once the need to determine the carrying value of an asset has been identified, valuation requires estimation of future cash flows and/or determining a fair value of the asset.

Estimation of useful economic life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired and is based on the shorter of technical life, economic life and contractual rights. This then reviewed annually for appropriateness and extended to the extent that the contractual rights allow it to be extended.

Decommissioning provision

Amounts used in recording a provision for decommissioning of wind farms are estimates based on current legal and constructive requirements. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on an annual basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining useful lives for each wind farm. In estimating decommissioning provisions, the Company applies annual inflation rates of 3.05 and discount rates of 1.49%.

2 Operating profit

	12 months to 31 December 2018 £'000	9 months to December 2017 £'000
Operating profit is stated after charging:		
Depreciation of fixed assets	369	273
Amortisation of intangible assets	69	52
Payments to landlords	54	43
	<u> </u>	<u> </u>

Notes (forming part of the financial statements)

3 Auditor's remuneration

	12 months to 31 December 2018 £'000	9 months to 31 December 2017 £'000
Audit of these financial statements	7	7

Audit fees for the year ended 31 December 2018 were borne by another group company.

4 Directors' emoluments and employees

During the current year and prior period the Directors were remunerated for services provided to the Ventient Energy Limited Group. In both the current year and prior period any remuneration specific to qualifying activities performed solely in relation to the Company were trivial. The Company had no employees during the current year or prior period.

5 Interest payable and similar charges

	12 months to 31 December 2018 £'000	9 months to 31 December 2017 £'000
Payable to group undertakings	888	668
Decommissioning interest - unwind of discount	8	5
	<u>896</u>	<u>673</u>

Notes (forming part of the financial statements)

6 Taxation

Recognised in the profit and loss account

	12 months to 31 December 2018 £'000	9 months to 31 December 2017 £'000
<i>United Kingdom corporation tax</i>		
Adjustment in respect of prior periods	(13)	(1)
Total current tax	(13)	(1)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	8	(24)
Adjustment in respect of prior periods	36	(196)
Total deferred tax	44	(220)
Tax on (loss)/profit	31	(221)

Reconciliation of effective tax rate

	12 months to 31 December 2018 £'000	9 months to 31 December 2017 £'000
Loss for the year	(89)	(126)
Total tax (credit)/expense	(31)	221
(Loss)/profit excluding taxation	(120)	95
Tax using the UK corporation tax rate of 19% (2017: 19%)	23	(18)
Non-deductible expenses	(26)	(8)
Adjustments relating to prior periods	23	(197)
Difference between the DT and CT rates	(1)	2
Tax impact of group relief claims	12	-
Total tax credit/(expense)	31	(221)

Notes (forming part of the financial statements)

7 Intangible fixed assets

	Wind usage rights £'000	Total £'000
Cost		
At 1 January 2018 and 31 December 2018	2,100	2,100
Accumulated amortisation		
At 1 January 2018	702	702
Charge for the year	69	69
At 31 December 2018	771	771
Net book value		
At 31 December 2018	1,329	1,329
At 31 December 2017	1,398	1,398

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	12 months to 31 December 2018 £'000	9 months to 31 December 2017 £'000
Administrative expenses	69	52
	69	52

Notes (forming part of the financial statements)

8 Tangible fixed assets

	Wind farm assets £'000	Decommissioning assets £'000	Total £'000
Cost			
At 1 January 2018	9,023	422	9,445
Additions	8	-	8
Uplift due to reassessment of provision	-	138	138
At 31 December 2018	9,031	560	9,591
Accumulated depreciation			
At 1 January 2018	2,032	15	2,047
Charge for the year	341	28	369
At 31 December 2018	2,373	43	2,416
Net book value			
At 31 December 2018	6,658	517	7,175
At 31 December 2017	6,991	407	7,398

As at 31 December 2018 Wind farm assets included capitalised interest of £358,000 (2017: £377,000).

9 Debtors

	2018 £'000	2017 £'000
Trade debtors	209	245
Amounts owed by group undertakings	1,367	918
Prepayments and accrued income	369	466
	1,945	1,629
Due within one year	1,945	1,629

Notes (forming part of the financial statements)

10 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	2	10
Amounts owed to group undertakings	10,807	11,657
Taxation	13	-
Other creditors	490	101
Accruals	68	50
	<u>11,380</u>	<u>11,818</u>

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Tangible fixed assets	-	-	(600)	(545)	(600)	(545)
Tax value of losses	320	401	-	-	320	401
Other temporary differences	265	85	-	-	265	85
	<u>585</u>	<u>486</u>	<u>(600)</u>	<u>(545)</u>	<u>(15)</u>	<u>(59)</u>

Movement in deferred tax during the year

	1 January 2018 £'000	Recognised in income £'000	31 December 2018 £'000
Tangible fixed assets	545	55	600
Tax value of loss carry-forwards utilised	(401)	81	(320)
Other temporary differences	(85)	(180)	(265)
	<u>59</u>	<u>(44)</u>	<u>15</u>

Notes (forming part of the financial statements)

11 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the prior period

	1 April 2017 £'000	Recognised in income £'000	31 December 2017 £'000
Tangible fixed assets	564	(19)	545
Tax value of loss carry-forwards utilised	(725)	324	(401)
Other temporary differences	-	(85)	(85)
	<u>(161)</u>	<u>220</u>	<u>59</u>

12 Provisions

	Decommissioning provisions £'000	Total £'000
At 1 January 2018	427	427
Discount unwind during the year	8	8
Uplift due to reassessment during the year	138	138
At 31 December 2018	<u>573</u>	<u>573</u>

13 Capital and reserves

Share capital

	2018 Number	2017 Number	2018 £'000	2017 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (forming part of the financial statements)

14 Related parties

The Company became a wholly-owned subsidiary of Ventient Energy Limited on 12 May 2017. There were no transactions between the Company and Ventient Energy Limited during the period from 01 January 2018 to 31 December 2018.

Up until 12 May 2017 the Company was a wholly-owned subsidiary of the group headed by Infinis Energy Limited (the "Infinis Energy Group"). Infinis Energy Limited had the ability to exercise a controlling influence over the Company and other subsidiary undertakings within the Infinis Energy Group, consequently the Directors also consider these subsidiary undertakings to be related parties up to 12 May 2017.

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £'000	2017 £'000
Less than one year	40	39
Between one and five years	158	158
More than five years	826	865
	<u>1,024</u>	<u>1,062</u>

16 Ultimate parent company and ultimate controlling entity

Maestro (Holdings 2) Limited is the immediate parent company and does not produce consolidated accounts.

The head of the smallest and largest group for which consolidated financial statements are prepared and of which the Company is a member is Ventient Energy Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, C/O Morton Fraser LLP, 5th Floor, Quatermile Two, 2 Lister Square, Edinburgh, EH3 9GL. Ventient Energy Limited is ultimately controlled by IIF Int'l Holding LP, an entity 100% owned by institutional investors advised by JP Morgan Asset Management.