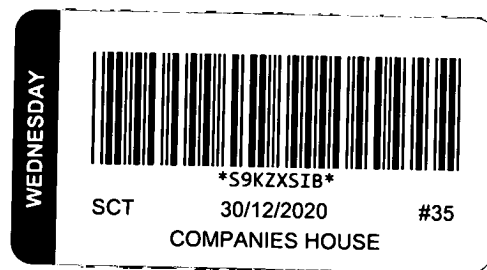


Blackstone Edge Wind Farm Limited

Annual report and financial statements

Registered number 07474312

Year ended 31 December 2019



COMPANIES HOUSE

30 DEC 2020

EDINBURGH MAILBOX

Contents

| | Page |
|--|------|
| Directors' report | 2 |
| Statement of Directors' responsibilities | 4 |
| Independent auditors' report to the members of Blackstone Edge Wind Farm Limited | 5 |
| Statement of Comprehensive Income | 8 |
| Balance Sheet | 9 |
| Statement of Changes in Equity | 10 |
| Notes to the Financial Statements | 11 |

Directors' report

The Directors present their Directors' report and audited financial statements for Blackstone Edge Wind Farm Limited (the "Company") for the year ended 31 December 2019. 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.

Principal activities

The principal activity of Blackstone Edge Wind Farm Limited is the generation and sale of electricity from onshore wind turbines in the UK. The Company has an installed capacity of 8MW.

Blackstone Edge Wind Farm Limited is a subsidiary of Mobius Wind Holding Limited. The company is a member of Ventient Energy Ltd Group. The Company's Group parent, Ventient Energy Limited, has a total of 689.5MW of installed capacity across 34 wind farms in the UK. Ventient Energy Limited is, in turn, a subsidiary of Ventient Energy Sarl which is the second largest, non-utility, generator of onshore wind energy in Europe.

Results and dividends

The profit after tax for the year amounted to £0.49 million (31 December 2018: loss £0.01 million).

No dividends were paid or proposed in the current year or to the date of this report.

The company is in a net current liabilities position and is dependent on funds provided to it by entities within the Ventient Energy Ltd Group. The Group Parent, Ventient Energy Limited, has confirmed that it will provide additional funding to enable the Company to meet its obligations and liabilities as they fall due for a period at least 12 months from the date of approval of the Company's financial statements. Accordingly, the Directors believe it is appropriate for the financial statements of the Company to be prepared on the going concern basis.

Financial Risk Management

The Company aims to minimise financial risk as far as it possibly can. The main purpose of the Company's financial instruments is to provide working capital for the Company's continuing activities and provide funding for future activities. Given the nature of the Company's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact that exposure is spread over several counterparties and customers who are of investment grade status. The main strategies for the Company's financial instruments are outlined below:

- Trade Receivables: Power Price agreements are used to fix the electricity price and reduce the exposure to fluctuating market power prices. Customers or off takers are investment grade status.
- Cash and Cash Equivalents: Cash flows are monitored regularly in order to meet bank covenant ratios and excess cash balances are returned to the owning stakeholder. There are no significant currency exposures.
- Trade Payables: significant suppliers such as operating and maintenance service providers are assessed for their financial viability and incentivised to achieve levels of windfarm performance, again there is little direct exposure to supplier related foreign currency transactions.

Directors

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

| | |
|---------------|--|
| D H Griffiths | |
| A W Lee | (resigned 1 January 2020) |
| M A Walters | (resigned 1 January 2020) |
| K Brown | (resigned 4 July 2019) |
| D M Zuydam | (appointed 11 July 2019, resigned 1 January 2020) |
| M R Jones | (appointed 30 January 2019) |
| D J Guerin | (appointed 1 January 2020, resigned 31 October 2020) |
| S L Mackenzie | (resigned 30 January 2019) |
| P Andres | (appointed 1 November 2020) |

Directors' report *(continued)*

Directors' indemnity and insurance

Throughout the financial year and at the date of approval, qualifying third party directors' and officers' liability insurance was in force.

Political contributions

The Company made no political donations or incur any political expenditure during the year.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

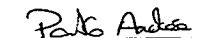
Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Basis of preparation

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the Board



P Andres
Director

18 December 2020

Registered office: Connect House 133-137 Alexandra Road,
Wimbledon London, United Kingdom
SW19 7JY

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Report on the audit of the financial statements

Opinion

In our opinion, Blackstone Edge Wind Farm Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income and the Statement of changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
18 December 2020

Statement of Comprehensive Income
for the year ended 31 December 2019

| | | 2019 | 2018 |
|--|------|--------------|---------------------|
| | Note | £'000 | * Restated £'000 |
| Revenue | 2 | 1,899 | 1,838 |
| Cost of sales | | (685) | (899) |
| | | <hr/> | <hr/> |
| Gross profit | | 1,214 | 939 |
| Administrative expenses | | (102) | (79) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 1,112 | 860 |
| Finance expenses | 5 | (492) | (896) |
| | | <hr/> | <hr/> |
| Profit/(loss) before taxation | | 620 | (36) |
| Tax on profit/(loss) | 6 | (134) | 31 |
| | | <hr/> | <hr/> |
| Profit/(loss) for the financial year | 15 | 486 | (5) |
| | | <hr/> | <hr/> |
| Total comprehensive income/(expense) for the year | | 486 | (5) |
| | | <hr/> | <hr/> |

*See note 18 for details regarding the restatement.

The notes on pages 11 to 32 form part of these financial statements.

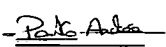
Balance Sheet
As at 31 December 2019

| | | 2019 | 2018 |
|--|------|-----------------|---------------------|
| | Note | £'000 | * Restated £'000 |
| Fixed assets | | | |
| Intangible assets | 7 | 1,227 | 1,329 |
| Property, plant and equipment | 8 | 7,402 | 7,147 |
| | | <u>8,629</u> | <u>8,476</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 2,070 | 2,027 |
| Cash at bank and in hand | | 645 | 27 |
| | | <u>2,715</u> | <u>2,054</u> |
| Creditors: amounts falling due within one year | 11 | <u>(10,989)</u> | <u>(11,380)</u> |
| Net current liabilities | | <u>(8,274)</u> | <u>(9,326)</u> |
| Total assets less current liabilities | | <u>355</u> | <u>(850)</u> |
| Creditors: amounts falling due after more than one year | 12 | <u>(639)</u> | - |
| Provisions for liabilities | | | |
| Deferred tax liabilities | 13 | (149) | (15) |
| Other provisions | 14 | (598) | (543) |
| | | <u>(747)</u> | <u>(558)</u> |
| Net liabilities | | <u>(1,031)</u> | <u>(1,408)</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | - | - |
| Profit and loss account | 15 | (1,031) | (1,408) |
| Total shareholders' deficit | | <u>(1,031)</u> | <u>(1,408)</u> |

*See note 18 for details regarding the restatement.

The notes on pages 11 to 32 form part of these financial statements.

The financial statements on pages 8 to 32 were approved by the board of Directors on 18 December 2020 and were signed on its behalf by:

P Andres 
Director
Company registration no. 07474312

Statement of Changes in Equity
for the year ended 31 December 2019

| | Called up share capital £'000 | Profit and loss account £'000 | Total shareholders' deficit £'000 |
|--|-------------------------------------|-------------------------------------|--|
| At 31 December 2018 (as originally presented) | - | (1,492) | (1,492) |
| Prior period adjustments | - | 84 | 84 |
| | <hr/> | <hr/> | <hr/> |
| * Restated total equity at 1 January 2019 | - | (1,408) | (1,408) |
| | <hr/> | <hr/> | <hr/> |
| Adjustment on adoption of IFRS 16 | - | (109) | (109) |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | | | |
| Profit for the financial year | - | 486 | 486 |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | - | 486 | 486 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2019 | - | (1,031) | (1,031) |
| | <hr/> | <hr/> | <hr/> |

| | Called up share capital £'000 | Profit and loss account £'000 | Total shareholders' deficit £'000 |
|---|-------------------------------------|-------------------------------------|--|
| At 1 January 2018 | - | (1,403) | (1,403) |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive expense for the year | | | |
| Loss for the financial year (restated) | - | (5) | (5) |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive expense for the year | - | (5) | (5) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2018 (restated) | - | (1,408) | (1,408) |
| | <hr/> | <hr/> | <hr/> |

*See note 18 for details regarding the restatement.

Notes to the Financial Statements

1 Accounting policies

1.1 Basis of preparation

Blackstone Edge Wind Farm Limited is a private company, limited by shares, incorporated, domiciled and registered in the UK. The registered number is 07474312 and the registered address is Connect House 133-137 Alexandra Road, Wimbledon London, United Kingdom SW19 7JY.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

The accounting policies set out below have been applied consistently in these financial statements. To ensure consistent application, a number of restatements have been identified as explained in note 18.

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.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in section 1.15.

The Company's financial statements are presented in sterling, which is the Company's functional currency.

The Company's Group 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, Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ.

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, tangible fixed assets and intangible 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;
- Disclosures in respect of accrued income balances.

As the consolidated financial statements of Ventient Energy Limited, the Company's Group 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 to the Financial Statements

1 Accounting policies (continued)

1.2 Measurement convention

The financial statements are prepared on the historical cost basis. All values are rounded to the nearest thousand (£000) except where otherwise stated.

1.3 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £8,274,000 (2018: net current liabilities £9,326,000). 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 Group Parent, Ventient Energy Limited has indicated that it will provide sufficient funds to allow the Company to meet its financial liabilities and obligations as they fall due at least the twelve months after the date upon which the statutory financial statements of the Company are finalised by directors' approval. 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 will enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

With the advent of the 2020 Covid-19 Global Pandemic the Directors have risk assessed the likely scenarios and outcomes this may have on the Group. As a result, the Directors can demonstrate that even under a plausible downside scenario arising from Covid-19, the Company is still able to be supported by the Group should it be required.

Based on the above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.4 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 to the Financial Statements

1 Accounting policies (continued)

1.5 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 years.

1.6 Property, plant and equipment

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 income statement 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:

| | |
|------------------------|---------------|
| Wind farm assets | 20 - 25 years |
| Decommissioning assets | 20 - 25 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Leases

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if the rate can be determined, or the Company's incremental borrowing rate appropriate for the right-of-use asset arising from the lease.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

Notes to the Financial Statements

1 Accounting policies (continued)

1.8 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.

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.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks, 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.

1.9 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.

Notes to the Financial Statements

1 Accounting policies (continued)

1.10 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 generated electricity exported and the contracted prices on the date of generation. In the case of ROC Recycle income, where the ROC price is not confirmed until after the balance sheet date, income is accrued and recognised based on an estimated unit price as provided by an industry leading independent third party.

Revenue includes an estimate for the recycled price of Renewable Obligation Certificates (ROCs) sold during the financial year. 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 Company's generation records.

Prior year restatements include a change in accounting policy of ROC Recycle income from a cash receipt basis to an income recognition basis based on an estimated unit price. Refer to note 18.

1.11 Expenses

Operating lease payments

Financial year ended 31 December 2018 payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. For financial year ended 31 December 2019 refer to note 9.

Royalty payments

Royalty payments to landlords are recognised in the income statement as they accrue, based on the terms of the agreement with the landlord at each site.

1.12 Finance expenses

Interest payable is recognised in the profit and loss account as it accrues, using the effective interest method. Costs incurred in raising finance are capitalised and amortised over the length of the borrowing. Additional costs incurred due to the redemption of a facility are charged to the income statement in the year in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time (more than 12 months) to be prepared for use, are capitalised as part of the cost of that asset.

1.13 Finance income

Interest income arises on cash deposits and funds invested and is recognised in the income statement as it accrues, using the effective interest method.

Notes to the Financial Statements

1 Accounting policies (continued)

1.14 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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.

1.15 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.

Valuation of wind rights acquired

Wind rights acquired via a business combination were initially valued based on the net present value of expected cash flows from electricity generation. A number of assumptions were made in arriving at such valuations which include price Wind - capacity and wind yields.

Assumptions were also required to determine the cash generating unit to which each intangible asset is allocated, and the discount rate applied, in the net present value calculation.

The judgments applied, and the assumptions underpinning them, were considered to be appropriate at the time of valuation. However, a change in these assumptions could impact upon the value of an intangible asset recognised upon acquisition.

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 recoverable of an asset has been identified, valuation requires estimation of future cash flows and/or determining a fair value of the asset.

Notes to the Financial Statements

1 Accounting policies (continued)

1.15 Accounting estimates and judgments (continued)

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 is 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 rate of 3% and discount rate of 1.03%. The rates are determined by prevalent market indicators as at the date of the financial statements.

ROC Recycle

The confirmed price for ROC recycle income is not known until after the balance sheet date. As such, income is recognised based on an estimated unit price as provided by an industry leading independent third party.

1.16 IFRS adopted during the year

IFRS 16: Leases is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see note 9. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

1.17 Adopted IFRS not yet applied

Other accounting standards and interpretations have been published and will be mandatory for the Company's accounting period beginning on or after 1 January 2020 or later periods. The impact of these standards is not expected to be material to the reported results and financial position of the Company.

Notes to the Financial Statements

2 Revenue

The company derives revenue from the sale of electricity generated from onshore wind turbines in the UK. Other sources of revenue includes curtailment, liquidated damages and temporary agreements.

| | 2019 £'000 | 2018 * Restated £'000 |
|------------------------------|---------------|-----------------------------|
| Income from external sources | 1,899 | 1,838 |
| | <u>1,899</u> | <u>1,838</u> |

*See note 18 for details regarding the restatement.

Economic factors that can affect the nature and uncertainty of revenue are the impact of the wholesale energy price on our variable Purchase Price Agreements (PPAs). The majority of our PPAs are fixed and others are affected by changes in the traded power market price.

For any revenue stream driven by generation (Traded Power, Balancing Services Use of System (BSUoS), the performance obligation is satisfied by the transfer of power. This is reconciled in the month of invoicing through the receipt of a customer statement, the Company invoice, and subsequent payment. For the ROC Buyout, the performance obligation is satisfied by the transfer of ROCs from Ofgem to the customer. Both the Company and the customer receive notice of this.

3 Operating profit

Included in operating profit/are the following:

| | 2019 £'000 | 2018 * Restated £'000 |
|--|---------------|-----------------------------|
| Operating profit is stated after charging: | | |
| Depreciation of property, plant and equipment | 362 | 367 |
| - which includes depreciation of right of use assets (Note 13) | 27 | - |
| Amortisation of intangible assets | 102 | 69 |
| Payments to landlords for royalties | 56 | 54 |
| Audit of financial statements | - | 7 |
| | <u>-</u> | <u>7</u> |

Audit Fees for the year ended 31 December 2019 were borne by another Group entity, Ventient Energy Service Limited, and were not recharged to the Company.

*See note 18 for details regarding the restatement.

4 Staff numbers and costs

During the current and prior year the Directors were remunerated for services provided to the Ventient Energy Limited Group. In both the current and prior year any remuneration specific to qualifying activities performed solely in relation to the Company were trivial and were not recharged to the Company. The Company had no employees during the current or prior year.

Notes to the Financial Statements

5 Finance expense

| | * Restated | |
|--|------------|------------|
| | 2019 | 2018 |
| | £'000 | £'000 |
| Finance expenses | | |
| Payable to group undertakings | 459 | 888 |
| Interest on lease liability | 27 | - |
| Unwinding of discount on decommissioning provision | 6 | 8 |
| Total finance expenses | 492 | 896 |

*See note 18 for details regarding the restatement.

6 Tax on profit/(loss)

Recognised in the profit and loss account

| | 2019 | 2018 |
|---|--------------|-----------|
| | £'000 | £'000 |
| Current tax charge | | |
| Adjustment in respect of prior periods | - | (13) |
| Current tax charge | - | (13) |
| <i>Deferred tax</i> | | |
| Origination and reversal of temporary differences | (103) | 8 |
| Adjustment in respect of prior periods | (31) | 36 |
| Deferred tax (charge)/credit | (134) | 44 |
| Total tax (charge)/credit | (134) | 31 |

Notes to the Financial Statements

6 Tax on profit/(loss) (continued)

Reconciliation of effective tax rate

| | 2019 * Restated £'000 | 2018 £'000 |
|--|--------------------------|---------------|
| Profit/(loss) for the financial year | 486 | (5) |
| Total tax expense/(credit) | 134 | (31) |
| Profit/(loss) before taxation | 620 | (36) |
| Tax using the UK corporation tax rate of 19% (2018: 19%) | (118) | 7 |
| Non-deductible expenses | (17) | (26) |
| Recognition of DT on IFRS 16 | 18 | - |
| Adjustment in respect of prior periods | (31) | 39 |
| Difference between the DT and CT rates | 14 | (1) |
| Tax impact of group relief claims | - | 12 |
| Total tax (charge)/credit | (134) | 31 |

*See note 18 for details regarding the restatement.

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2019, would be to increase the deferred tax liability by £17,412.

Notes to the Financial Statements

7 Intangible assets

| | Wind usage rights £'000 | Total £'000 |
|---------------------------------|----------------------------|----------------|
| Cost | | |
| At 1 January 2018 | 2,100 | 2,100 |
| At 31 December 2019 | 2,100 | 2,100 |
| Accumulated amortisation | | |
| At 1 January 2018 | 771 | 771 |
| Charge for the year | 102 | 102 |
| At 31 December 2019 | 873 | 873 |
| Net book value | | |
| At 31 December 2019 | 1,227 | 1,227 |
| At 31 December 2018 | 1,329 | 1,329 |

Amortisation charge

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

| | 2019 £'000 | 2018 £'000 |
|-------------------------|---------------|---------------|
| Administrative expenses | 102 | 69 |
| | 102 | 69 |

Wind usage rights represent the combination of the Renewable Energy Certificates and Power Purchase Agreements in place at the time of acquisition. The remaining amortisation period is 18 years.

The operating life of the windfarm is assessed as the lower of (sooner) the Lease termination, project planning end date or economic life end date.

At the end of each year, the Company assesses assets for impairment as described in note 1, by first assessing whether there have been any indicators (both internal and external) that an impairment has occurred. The Directors has not identified any indication of impairment.

Notes to the Financial Statements

8 Property, plant and equipment

| | Wind farm assets £'000 | * Restated Decommissioning assets £'000 | Total £'000 |
|---|------------------------------|--|----------------|
| Cost | | | |
| At 1 January 2018 | 9,023 | 422 | 9,445 |
| Additions | 8 | - | 8 |
| Uplift due to reassessment of provision | - | 108 | 108 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 9,031 | 530 | 9,561 |
| | <hr/> | <hr/> | <hr/> |
| Cost | | | |
| At 31 December 2018 | 9,031 | 530 | 9,561 |
| Adjustment on adoption of IFRS 16 (Note 19) | 716 | - | 716 |
| At 1 January 2019 | 9,747 | 530 | 10,277 |
| Additions | 11 | - | 11 |
| Uplift due to reassessment of provision | - | 49 | 49 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2019 | 9,758 | 579 | 10,337 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated depreciation | | | |
| At 1 January 2018 | 2,032 | 15 | 2,047 |
| Charge for the year | 341 | 26 | 367 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 2,373 | 41 | 2,414 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated depreciation | | | |
| At 31 December 2018 | 2,373 | 41 | 2,414 |
| Adjustment on adoption of IFRS 16 (Note 19) | 159 | - | 159 |
| At 1 January 2019 | 2,532 | 41 | 2,573 |
| Charge for the year | 334 | 28 | 362 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2019 | 2,866 | 69 | 2,935 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 2019 | 6,892 | 510 | 7,402 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 6,658 | 489 | 7,147 |
| | <hr/> | <hr/> | <hr/> |

Notes to the Financial Statements

9 Leases

The Company has lease contracts for windfarm assets used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

| | 31 December 2019 £'000 | 1 January 2019 £'000 |
|---------------------------|---------------------------------|----------------------------|
| Right-of-use-asset | | |
| Windfarm assets | 530 | 557 |
| | <u>530</u> | <u>557</u> |
| Lease liabilities | | |
| Current | 14 | 13 |
| Non-current | 639 | 652 |
| | <u>653</u> | <u>665</u> |

Right of use assets are included in Windfarm assets (Note 8).

There were no additions to the right-of-use assets during the year ended 31 December 2019.

Notes to the Financial Statements

9 Leases (continued)

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Depreciation charge of right-of-use assets | | |
| Wind farm assets | 27 | - |
| | 27 | - |
| Interest expense (Note 5) | 27 | - |
| Expenses relating to variable lease payments not included in lease payments | 16 | 15 |
| Future minimum lease payments as at 31 December 2019 and 31 December 2018 as follows: | | |
| Not later than one year | 40 | 40 |
| Later than one year and not later than five years | 161 | 161 |
| Later than five years | 797 | 838 |
| Total gross payments | 998 | 1,039 |
| Impact of finance expense | (346) | (373) |
| Carrying amount of liability | 652 | 666 |

The Company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of the initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The total cash outflow for leases in 2019 was £57,361 (2018: £40,271).

The leases include windfarms. Rental contracts are typically made for fixed periods of up to 30 years, there may be options to extend.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Notes to the Financial Statements

10 Trade and other receivables

| | 2019 | * Restated 2018 |
|------------------------------------|--------------|--------------------|
| | £'000 | £'000 |
| Trade receivables | 2 | 209 |
| Amounts owed by group undertakings | 1,491 | 1,368 |
| Other debtors | - | - |
| Prepayments and accrued income | 577 | 450 |
| | <u>2,070</u> | <u>2,027</u> |

*See note 18 for details regarding the restatement.

11 Creditors: amounts falling due within one year

| | Note | 2019 | 2018 |
|------------------------------------|------|---------------|---------------|
| | | £'000 | £'000 |
| Lease liabilities | 9 | 14 | - |
| Trade creditors | | 24 | 2 |
| Amounts owed to group undertakings | | 10,534 | 10,807 |
| Taxation | | - | 13 |
| Other creditors | | 383 | 490 |
| Accruals | | 34 | 68 |
| | | <u>10,989</u> | <u>11,380</u> |

12 Creditors: amounts falling due after more than one year

| | Note | 2019 | 2018 |
|-------------------|------|------------|----------|
| | | £'000 | £'000 |
| Lease liabilities | 9 | 639 | - |
| | | <u>639</u> | <u>-</u> |

Notes to the Financial Statements

13 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-------------------------------|------------|------------|--------------|--------------|--------------|-------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Property, plant and equipment | - | - | (607) | (600) | (607) | (600) |
| Tax value of losses | 327 | 320 | - | - | 327 | 320 |
| Corporate interest relief | 114 | 265 | - | - | 114 | 265 |
| IFRS 16 | 17 | - | - | - | 17 | - |
| | 458 | 585 | (607) | (600) | (149) | (15) |

Movement in deferred tax during the year

| | 1 January 2019 | Recognised in income | 31 December 2019 |
|---|----------------|----------------------|------------------|
| | £'000 | £'000 | £'000 |
| Property, plant and equipment | (600) | (7) | (607) |
| Tax value of loss carry-forwards utilised | 320 | 7 | 327 |
| Corporate interest relief | 265 | (151) | 114 |
| IFRS 16 | - | 17 | 17 |
| | (15) | (134) | (149) |

Movement in deferred tax during the prior year

| | 1 January 2018 | Recognised in income | 31 December 2018 |
|---|----------------|----------------------|------------------|
| | £'000 | £'000 | £'000 |
| Property, plant and equipment | (545) | (55) | (600) |
| Tax value of loss carry-forwards utilised | 401 | (81) | 320 |
| Corporate interest relief | 85 | 180 | 265 |
| | (59) | 44 | (15) |

Notes to the Financial Statements

14 Other provisions

| | * Restated Decommissioning provisions £'000 |
|--|--|
| At 1 January 2018 | 427 |
| Discount unwind during the year | 8 |
| Uplift due to reassessment during the year | 108 |
| At 31 December 2018 | 543 |

| | Decommissioning provisions £'000 |
|--|--|
| At 1 January 2019 | 543 |
| Discount unwind during the year | 6 |
| Uplift due to reassessment during the year | 49 |
| At 31 December 2019 | 598 |

All provision balances at 31 December 2019 and 31 December 2018 are non-current.

* See note 18 for details regarding the restatement.

Decommissioning provision

The provision for the decommissioning of the windfarms represents the net present value of the Company's best estimate of the costs to decommission the wind farm at the end of its useful life. The provision was re-estimated at the end of the year to reflect current management expectations of the future liability.

The closing provision has been discounted to its present value based on the yield on a UK gilt maturing at the end of wind farm's economic life.

Decommissioning assets are recognised to match the decommissioning liability, refer to Note 7. Unwinding of discount amount is recognised only in the decommissioning liability.

Decommissioning costs were last assessed by an independent expert in February 2017.

Notes to the Financial Statements

15 Capital and reserves

Called up share capital

| | 2019 Number | 2018 Number | 2019 £'000 | 2018 £'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.

Profit and loss account

This reserve account records accumulated losses.

| | Note | 2019 £'000 | 2018 * Restated £'000 |
|--|------|----------------|-----------------------------|
| Balance 1 January | | (1,408) | (1,403) |
| Net profit/(loss) for the financial year | | 486 | (5) |
| Adoption of IFRS 16 Leases | 19 | (109) | - |
| At 31 December | | <u>(1,031)</u> | <u>(1,408)</u> |

* See note 18 for details regarding the restatement.

16 Related parties

There were no transactions between the Company and Ventient Energy Limited during the years from 1 January 2019 to 31 December 2019 and from 1 January 2018 to 31 December 2018. There are no other related parties to be disclosed.

17 Ultimate parent company and ultimate controlling party

Mobius Wind Holding Limited is the immediate parent company and does not produce consolidated financial statements.

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, Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ. 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.

Notes to the Financial Statements

18 Prior period adjustments

A number of adjustments have been proposed to the prior year reported financial statements. Details of each are set out below, alongside their impact.

1. In prior periods, the company accounted for ROC Recycle income on a cash receipt basis rather than in the period in which the income was earned as required per IFRS 15 *Revenue Recognition*. The ROC unit price is based on data provided by an industry standard recognised third party. Accounting for this income in the period it was earned has resulted in restatement of revenue recognised in the year to 31 December 2018, increasing revenue recognised by £80,710.
2. For the year ended 31 December 2018, the company made an error in calculation of the depreciation of the decommissioning asset. Correcting the miscalculation resulted in restatement of the depreciation recognised in the year to 31 December 2018, reducing the depreciation charged recognised by £2,484.
3. For the year ended 31 December 2018, the company had made an error in calculation of the decommissioning liability and the associated asset. Correcting the miscalculation resulted in reduction of the closing 31 December 2018 position for the decommissioning liability and associated asset, of £30,441 and £29,994 respectively, with an impact upon 31 December 2018 retained earnings of £447. The reduction to depreciation required on the revised decommissioning asset balance has been included within adjustment 2 above.

| | 31 December 2018 As originally stated £'000 | (Decrease)/ Increase £'000 | 31 December 2018 * Restated £'000 |
|--|---|----------------------------------|--|
| Balance sheet (extract) | | | |
| Tangible assets (adjustments 2 & 3) | 7,175 | (28) | 7,147 |
| Trade and other receivables (adjustment 1) | 1,945 | 82 | 2,027 |
| Other provisions (adjustment 3) | (573) | 30 | (543) |
| Net liabilities | (1,492) | 84 | (1,408) |
| Profit and loss account | (1,492) | 84 | (1,408) |
| Total shareholders' deficit | (1,492) | 84 | (1,408) |

Notes to the Financial Statements

18 Prior period adjustments (continued)

| | 31 December 2018 As originally stated £'000 | Increase £'000 | 31 December 2018 * Restated £'000 |
|--|---|-------------------|--|
| Statement of comprehensive income (extract) | | | |
| Revenue (adjustment 1) | 1,757 | 81 | 1,838 |
| Cost of sales (adjustment 2) | (902) | 3 | (899) |
| Gross profit | 855 | 84 | 939 |
| Finance expenses (adjustment 3) | (896) | - | (896) |
| Loss before tax | (120) | 84 | (36) |
| Loss for the financial year | (89) | 84 | (5) |

19 Effect of adoption of IFRS 16 - Leases

As indicated in notes 1 and 8, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.6 and 9.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.64%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use of the asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments of £108,620 for residual value guarantees based on an index or rate. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Notes to the Financial Statements

19 Effect of adoption of IFRS 16 - Leases (continued)

i. Practical expedients applied

In applying IFRS 16 for the first time, the company used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonable similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial indirect costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied in its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

ii. Measurement of lease liabilities

| | £'000 |
|---|-------|
| Operating lease commitments disclosed as at 31 December 2018 | 573 |
| Correction of prior year error: | |
| Leases omitted from the prior year operating lease disclosure note | 466 |
| | <hr/> |
| Adjusted commitment amount | 1,039 |
| | <hr/> |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 665 |
| | <hr/> |
| Lease liability recognised as at 1 January 2019 | 665 |
| | <hr/> |
| Of which are: | |
| Current lease liabilities | 13 |
| Non-current liabilities | 652 |
| | <hr/> |
| | 665 |
| | <hr/> |

iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Notes to the Financial Statements

19 Effect of adoption of IFRS 16 - Leases (continued)

iv. Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £556,783.
- Deferred tax liabilities – increase by £17,900.
- Lease liabilities – increase by £665,403.

The net impact on retained earnings on 1 January 2019 was a decrease of £108,620.

Lessor accounting

The Company does not hold assets held as lessor.

20 Post balance sheet events

Coronavirus (COVID19): Coronavirus was declared a pandemic in March 2020 and since then there has been widespread disruption in the UK and internationally. As the pandemic accelerated after the year-end this event has been classified as a non-adjusting post balance sheet event. The Ventient Group has taken extensive precautionary measures to help avoid the spread of COVID-19 and ensure health and safety of employees, business partners and the community. The Ventient Group is in close contact with suppliers, contractors and business partners to ensure continuous risk assessments for the business and employees and to ensure adherence to local government advice and guidelines. Whilst alert to the ongoing potential financial and operational challenges, the Ventient Group's strong operational model is focused on ensuring stable operations and mitigating potential impact. In the period since the pandemic began maintenance and repairs of the wind farm has continued. There has been a decrease in the day rate prices, however, many of the Company's prices are on a fixed price tariff.