Wear Point Wind Limited

Directors' Report and Financial Statements

Year Ended

31 December 2018

Company Number 07898948

Wear Point Wind Limited

Company Information

Directors	J M Linney S O Vince
Registered number	07898948
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Independent auditors	Deloitte LLP Statutory Auditor London United Kingdom
Bankers	HSBC Bank PLC 8 Canada Square London E14 5HQ

Wear Point Wind Limited

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Wear Point Wind Limited

Directors' Report
For the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The Company's principal activity is the design, build, financing and operation of an 8.2MW wind farm in Pembrokeshire.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

J M Linney
S O Vince

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Financial risk management objectives and policies

Liquidity risk

The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. At the start of the project, the Company negotiated debt facilities with an external party to ensure that the Company has sufficient funds over the life of the project. Following the refinancing of the project on 16 March 2016, the Company's debt facilities are now owed to JLEAG Wind Limited.

Interest rate risk

The Company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Company used interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates. Following the refinancing of the project on 16 March 2016, the Company's borrowings have limited exposure as all borrowings are fixed interest loans and therefore interest rate derivatives have been terminated.

Exposure to market prices

The Company is exposed to long term electricity market prices. Price has been fixed six-monthly since October 2018 with the latest price fixed until September 2019 and will be floating thereafter until further notice. We continue to monitor the market.

Credit risk

The Company's principal financial assets are cash, financial assets and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables and accrued income which are with one counterparty. The Company monitors the financial standing of that counterparty in order to manage its credit risk.

Wind/energy yield risk

The Company has engaged consultants to assess long term wind predictions and consequent energy yield for the given turbines. However, there still remains a risk that wind and energy yield may be less (or more) than modelled. The project was refinanced on 16 March 2016 via its holding company on an assumption that realistic downsides would not materially jeopardise the project. The Company will continue to monitor performance against the modelled plan.

Future developments

The directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

J Liney

J M Linney
Director

Date: 27 September 2019

Wear Point Wind Limited

Directors' Responsibilities Statement
For the Year Ended 31 December 2018

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Wear Point Wind Limited

Independent Auditors' Report to the Members of Wear Point Wind Limited

Report on the audit of the financial statements

Opinion

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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Wear Point Wind Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes on pages 10 - 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.

William Brooks FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

United Kingdom

27 September 2019

Wear Point Wind Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2018

	Note	2018 £	2017 £000
Turnover	4	**2,196**	2,309
Cost of sales		**(504)**	(418)
Gross profit		**1,692**	1,891
Administrative expenses		**(587)**	(647)
Operating profit	5	**1,105**	1,244
Interest payable and expenses		**(585)**	(676)
Profit before tax		**520**	568
Tax on profit	8	**(58)**	(207)
Profit for the financial year		**462**	361

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 10 to 26 form part of these financial statements.

Wear Point Wind Limited
Registered number: 07898948

Statement of Financial Position
As at 31 December 2018

	Note		2018 £000		2017 £000
Fixed assets					
Tangible assets	9		**11,193**		11,719
			11,193		11,719
Current assets					
Debtors: amounts falling due after more than one year	10	**148**		206	
Debtors: amounts falling due within one year	10	**595**		674	
Cash at bank and in hand	11	**265**		811	
		1,008		1,691	
Creditors: amounts falling due within one year	12	**(803)**		(1,087)	
Net current assets			**205**		604
Total assets less current liabilities			**11,398**		12,323
Creditors: amounts falling due after more than one year	13		**(10,619)**		(12,010)
Provisions for liabilities					
Other provisions	16	**(307)**		(303)	
			(307)		(303)
Net assets			**472**		10
Capital and reserves					
Called up share capital	17		**-**		-
Profit and loss account	18		**472**		10
			472		10

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2019.

J Linney

J M Linney
Director

The notes on pages 10 to 26 form part of these financial statements.

Wear Point Wind Limited

Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2017	**-**	**(351)**	**(351)**
Profit for the year	**-**	**361**	**361**
At 1 January 2018	**-**	**10**	**10**
Profit for the year	**-**	**462**	**462**
At 31 December 2018	**-**	**472**	**472**

The notes on pages 10 to 26 form part of these financial statements.

1. General information

The Company is a United Kingdom private company limited by shares. It is both incorporated and domiciled in England and Wales. The registered office address is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the majority of the Company's transactions are denominated. They comprise the financial statements of the Company for the year ended 31 December 2018 and are presented to the nearest £'000.

The Company has determined that GBP is its functional currency, as this is the currency of the economic environment in which the Company predominantly operates.

The principal activity of the Company during the period was the design, build, financing and operation of an 8.2MW wind farm in Pembrokeshire.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of JLEAG Wind Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

2. Accounting policies (continued)

2.3 Going concern

The Company is in a net asset position as at 31 December 2018. The directors have reviewed the Company's forecasts and projections taking into account reasonable possible changes in environmental conditions, in addition to asset and counterparty performance which show that the Company can continue to meet its debts as they fall due.

The directors therefore, at the time of approving the financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Revenue

Turnover comprises amounts received and receivable in respect of the invoiced value of generated electricity, Renewable Obligation Certificates (ROCs) and accrued income. Turnover is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts and sales taxes or duty.

Turnover on the generation of energy comprises the value of units supplied during the year. Units are determined by energy volumes recorded on the wind farm meters and market settlement systems. Under the terms of its Power Purchase Agreements (PPA) with customers, ROCs are immediately transferable to the customer. Turnover in relation to ROCs is recognised in line with the generation of energy.

Accrued income represents the sales value of energy (and related ROCs), which is yet to be invoiced and is based upon the value of units supplied with respect to energy and quantity of units supplied with respect to ROCs.

There is only one operating activity and all turnover is generated within the United Kingdom.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 25 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

2.9 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.13 Provisions for liabilities

Decommissioning

Provisions for future decommissioning costs is made in full when the Company has an obligation to dismantle and remove a facility and to restore the site on which it is located; and when a reasonable estimate of that liability can be made.

The amount recognised is the present value of the estimated future expenditure. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised as part of the underlying fixed asset and depreciated over the life of that asset. Any change in the present value of the estimated expenditure resulting from changes in expected cash flows, inflation or discount rate is reflected as an adjustment to the provision and the underlying asset.

The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Other

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

2.14 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Power Purchase Agreement
The directors have considered whether the Power Purchase Agreement entered into by the Company meets the definition of a derivative under FRS 102 in the context of characteristics of derivative contracts set out within the definition. The Power Purchase Agreement was entered into and continues to be held for the purpose of the Company delivering electrical output to be received by the offtaker in accordance with the requirements set out in the contract, and therefore is not considered to be a financial instrument.

Deferred tax asset
The directors have used their judgement, based on long term projections, in estimating whether there will be sufficient taxable profits in the future to recognise a deferred tax asset in relation to tax losses carried forward. The directors have also made estimates, based on those projections, about the expected timing or reversal of the deductible and taxable temporary differences when considering whether a deferred tax asset can be recognised. Whilst the directors have concluded that it is appropriate to recognise a deferred tax asset, the recovery of that asset is primarily dependent on sustained electricity prices.

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Recoverability of tangible fixed assets
During the year, management reconsidered the recoverability of the tangible fixed assets included in the Statement of financial position of £11,193,000 (2017 £11,719,000). The project continues to perform in a satisfactory manner, however due to historical performance against budget, management has reconsidered the power price and generation assumptions reflected in its long-term projections. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the tangible fixed assets will be recovered in full through use. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that adjustments are appropriate.

Decommissioning provision
The Company has a decommissioning provision resulting from its obligation at the end of the license period to return the wind farm site to its original state and condition. The calculation used to estimate the future expected cost of decommissioning the site is based on a historic estimate of per turbine costs plus anticipated fixed cost overheads provided by a qualified third party consultant, discounted back to present value at a suitable discount rate. The net present value of the provision at the balance sheet date was £307,000 (2017: £303,000). Details of the provision are set out in Note 17. The directors will continue to monitor market prices for decommissioning works for indications of material changes to the assumptions underlying the decommissioning provision calculation.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Power Purchase Agreement Revenue	**1,132**	1,194
Renewable Obligation Certificates	**999**	1,064
Other income	**65**	51
	2,196	2,309

All turnover arose within the United Kingdom.

Turnover is derived from the sale of electricity produced in the United Kingdom and the sale of renewable energy certificates to a sole third party energy supplier in Germany. Turnover is recognised at the point of generation.

Other income comprises Triad revenue of £65,000 (2017: £51,000) generated during the three half-hours of peak electricity demand between the beginning of November in the previous financial year and the end of February in the current financial year. Due the nature of the income, Triad revenue is recognised in the period the income is received.

5. Operating profit

The operating profit is stated after charging:

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**8**	8
Depreciation	**525**	525
Operating lease rentals	**92**	89

6. Employees

The Company had no employees during the current or prior year.

7. Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable to parent undertakings	555	645
Unwinding of discount provisions	5	5
Amortisation of financing fees	25	26
	585	676

8. Taxation

	2018 £000	2017 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	121	127
Changes to tax rates	(13)	(18)
Adjustment in respect of prior years	(50)	68
Tax losses carried forward	-	30
Total deferred tax	58	207
Taxation on profit on ordinary activities	58	207

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	**520**	568
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**99**	109
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**22**	48
Adjustment in respect of prior periods	**(50)**	68
Effect of change in corporation tax rate	**(13)**	(18)
Total tax charge for the year	**58**	207

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

9. Tangible fixed assets

	Plant and machinery £000
Cost or valuation	
At 1 January 2018	13,562
Other changes	(1)
At 31 December 2018	13,561
Depreciation	
At 1 January 2018	1,843
Charge for the year on owned assets	525
At 31 December 2018	2,368
Net book value	
At 31 December 2018	11,193
At 31 December 2017	11,719

Following a review of the discount rate applied to the decommissioning provision at 31 December 2018, an adjustment of £1,000 (2017: £10,000) has been included in other changes within the carrying value of tangible fixed assets.

10. Debtors

	2018 £000	2017 £000
Due after more than one year		
Other debtors	**82**	82
Deferred tax asset	**66**	124
	148	206

	2018 £000	2017 £000
Due within one year		
Other debtors	**6**	5
Prepayments and accrued income	**589**	669
	595	674

Included within Other debtors is £82,000 (2017: £82,000) in respect of a decommissioning bond held with JLEAG Wind Limited.

11. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**265**	811

12. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**1**	9
Amounts owed to parent undertakings	**720**	989
Accruals and deferred income	**82**	89
	803	1,087

13. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Amounts owed to parent undertakings	**10,619**	12,010

The aggregate amount of liabilities repayable wholly or in part more than five years after the balance sheet date is:

	2018 £000	2017 £000
Repayable by instalments	**490**	2,808

14. Loans and overdrafts

	2018 £000	2017 £000
Loans from parent undertakings	**11,339**	12,813

14. Loans and overdrafts (continued)

	2018 £000	2017 £000
Payable within one year	**720**	803
Payable after one year	**10,619**	12,010
	11,339	12,813

Senior debt

During the year the Company made principal repayments of £313,000 (2017: £146,000) against the loan with its parent company, JLEAG Wind Limited that was taken out in 2016 to replace the Senior debt in the Company. The principal balance at 31 December 2018 is £8,910,000 (2017: £9,223,000) and the outstanding interest was £Nil (2017: £1,000). There are unamortised finance fees attributed of £53,000 (2017: £78,000) that were pushed down by the parent company. The loan is repayable by instalments based on an agreed repayment profile and will terminate on 16 March 2021.

Following refinancing of the group, within which the company is a member of, on 07 March 2019, this loan had increased, after payment of interest for 1 January to 28 February 2019, share of group refinancing costs and a balance transferred from Subordinated debt, to £9,231,000 with variable interest rate charged at 3.33% per annum from 07 March to 30 June 2019.

Subordinated debt

During the year the Company made repayments of £1,172,000 (2017: £389,000) against the loan with its parent company, JLEAG Wind Limited that was taken out in 2016 to replace the Subordinate debt in the Company. The principal balance at 31 December 2018 was £2,490,000 (2017: £3,668,000) and the outstanding interest is £Nil (2017: £194,000). The loan is repayable on demand, however, the parent company has no intention of demanding repayment until such time as the Company has sufficient funds.

Following refinancing of the group, within which the company is a member of, on 7 March 2019, this loan had reduced, after a balance transferred to Senior debt, to £2,451,000 with interest charged at 11% per annum from 7 March 2019.

15. Deferred taxation

	2018 £000
At beginning of year	**124**
Charged to profit or loss	**(58)**
At end of year	**66**

15. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	**(517)**	(616)
Tax losses carried forward	**583**	740
	66	124

The deferred tax asset in relation to tax losses set out above is expected to reverse after more than five years and relates to the utilisation of tax losses against future expected profits over the project life.

16. Provisions

	Decommissioning provision £000
At 1 January 2018	303
Incremental expense	5
Change in estimate	(1)
At 31 December 2018	**307**

The Company's decommissioning provision results from its obligation at the end of the lease period to return the wind farm site to its original state and condition. The Company has estimated the net present value of the decommissioning provision to be £307,000 as at 31 December 2018 (2017: £303,000) based on an undiscounted total future liability of £434,000 (2017: £434,000). The discount factor, being the risk free rate related to the liability, was 1.76% as at 31 December 2018 (2017: 1.73%).

17. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
100 (2017: 100) Ordinary shares of £1.00 each	**100**	100

The Company has one class of ordinary shares which carry no right to fixed income.

18. Reserves

Profit and loss account

The profit and loss account is comprised of the accumulated profits, losses and distributions to shareholders.

19. Commitments under operating leases

Lease

The Company entered into a 25 year lease agreement with the land owner expiring on 14 December 2037.

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	**87**	87
Later than 1 year and not later than 5 years	**349**	349
Later than 5 years	**1,218**	1,305
	1,654	1,741

20. Related party transactions

No guarantees have been given or received.

As a wholly owned subsidiary of JLEAG Wind Limited, which is indirectly a wholly owned subsidiary of John Laing Environmental Assets Group (UK) Limited, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the John Laing Environmental Assets Group (UK) Limited group. A copy of the published financial statements of John Laing Environmental Assets Group (UK) Limited can be obtained from Companies House.

21. Post balance sheet events

After the balance sheet date, the group, within which the company is a member of, was refinanced on 07 March 2019. Please see Note 14 for details as to changes on loans from immediate parent, JLEAG Wind Limited.

22. Controlling party

The Company's ultimate parent and controlling entity is John Laing Environmental Assets Group Limited, a company incorporated in Guernsey, Channel Islands with a registered address of Sarnia House, Le Truchot, St. Peter Port, Guernsey, GY1 4NA.

Copies of the financial statements of John Laing Environmental Assets Group Limited are available from the website www.jlen.com.

The smallest group in which the Company's results are consolidated is JLEAG Wind Limited and the largest group in which its results are consolidated is JLEAG Wind Holding Limited. Both of these parent companies have a registered office of 1 Kingsway, London, WC2B 6AN and copies of the consolidated financial statements are available from Companies House.