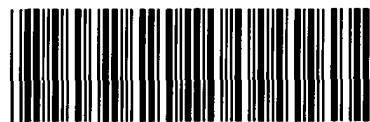


**FENLAND RENEWABLES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

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## FENLAND RENEWABLES LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	Sulwen Vaughan (appointed 3 August 2017) Enrico Corazza (appointed 20 April 2018) Ross Grier (appointed 8 January 2016, resigned 3 August 2017) Juliet Guerri (appointed 8 January 2016, resigned 20 April 2018)
<b>Registered number</b>	08924806
<b>Registered office</b>	5th Floor North Side 7-10 Chandos Street Cavendish Square London W1G 9DQ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex England UB8 1EX
<b>Bankers</b>	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN

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## **FENLAND RENEWABLES LIMITED**

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## FENLAND RENEWABLES LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

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The directors present this report and the audited financial statements for the year ended 31 March 2018.

#### Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the audited 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 judgments 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.

#### Principal activities

The principal activities of the Company are the development of solar photovoltaic ("Solar PV") projects and the generation and supply of electricity from a solar photovoltaic site.

The Company is committed to project implementation excellence, the provision of long term clean energy projects, environmentally sensitive developments for the local community, and long term sustainable returns to investors.

The Company is exposed to a variety of financial and operational risks as detailed in Note 23 of the notes to the financial statements.

#### Business review

##### Future Developments

The directors have no planned developments and have a reasonable expectation that the Company will continue operating in the foreseeable future. For the detailed assessment refer to page 10.

##### Results and Dividends

The loss for the year amounted to £323,553 (2017: loss of £597,352).

No dividends were paid and/or declared during the year (2017: £nil).

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## FENLAND RENEWABLES LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

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#### Business review (continued)

##### Political donations and political expenditure

The Company did not make any disclosable political donations or political expenditure in the current year.

##### Financial instruments

Refer to Note 23 for details of the Company's financial management objectives and policies; and its exposure to market risk, credit risk and liquidity risk.

##### Directors

The directors who served during the year, and up to the date of signing the financial statements unless otherwise stated, are as follows:

Sulwen Vaughan (appointed 3 August 2017)

Ross Grier (appointed 8 January 2016, resigned 3 August 2017)

Juliet Guerri (appointed 8 January 2016, resigned 20 April 2018)

Enrico Corazza (appointed 20 April 2018)

There were no changes in shareholdings between 31 March 2018 and the date of signing the financial statements. Refer to Note 19 for more details.

##### Qualifying third-party and pension scheme indemnity provisions

The Company did not have any qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision for any of the directors, during the year and at the date of approval of the directors' report.

##### 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.

##### Independent auditors

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

##### Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 10 October 2018 and signed on its behalf.

  
Sulwen Vaughan  
Director

# ***Independent auditors' report to the members of Fenland Renewables Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Fenland Renewables Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the statement of comprehensive income, the statement of cash flows, 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.

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### **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.

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### **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 when:

- 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.

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### **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 March 2018 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 Directors' responsibilities statement set out on page 1, 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.

### *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](http://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.

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## **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.

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### **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 from preparing a strategic report. We have no exceptions to report arising from this responsibility.



John Dashwood (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge

10/11 October 2018

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**FENLAND RENEWABLES LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

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	Note	2018 £	2017 £
Revenue	4	2,180,067	2,095,716
Operating expenses		(1,296,824)	(452,004)
Depreciation	11	(953,237)	(976,242)
<b>Operating (loss)/profit</b>	5	<b>(69,994)</b>	<b>667,470</b>
Finance costs	9	(683,567)	(640,754)
Decommissioning interest	16	26,547	(35,807)
Net changes in fair value of interest rate swaps through profit and loss		403,461	(588,261)
<b>Loss before tax</b>		<b>(323,553)</b>	<b>(597,352)</b>
<b>Total comprehensive loss and loss for the year</b>		<b>(323,553)</b>	<b>(597,352)</b>

The notes on pages 9 to 23 form part of these financial statements.



**FENLAND RENEWABLES LIMITED**  
**REGISTERED NUMBER:08924806**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	11	19,008,750	20,399,056
		<u>19,008,750</u>	<u>20,399,056</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	406,069	457,255
Cash at bank	13	369,043	1,032,717
		<u>775,112</u>	<u>1,489,972</u>
Creditors: amounts falling due within one year	14	(20,810,225)	(5,192,305)
<b>Net current liabilities</b>		<u>(20,035,113)</u>	<u>(3,702,333)</u>
<b>Total assets less current liabilities</b>		<u>(1,026,363)</u>	<u>16,696,723</u>
Creditors: amounts falling due after more than one year	15	-	(16,935,917)
<b>Provisions for liabilities</b>			
Provisions for liabilities and charges	16	(1,107,445)	(1,571,061)
		<u>(1,107,445)</u>	<u>(1,571,061)</u>
<b>Net liabilities</b>		<u>(2,133,808)</u>	<u>(1,810,255)</u>
<b>Capital and reserves</b>			
Called up share capital	19	125	125
Profit and loss account		(2,133,933)	(1,810,380)
<b>Total equity</b>		<u>(2,133,808)</u>	<u>(1,810,255)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 October 2018.

  
**Sulwen Vaughan**  
 Director

The notes on pages 9 to 23 form part of these financial statements.

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**FENLAND RENEWABLES LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 April 2016</b>	<b>125</b>	<b>(1,213,028)</b>	<b>(1,212,903)</b>
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(597,352)	(597,352)
<b>At 1 April 2017</b>	<b>125</b>	<b>(1,810,380)</b>	<b>(1,810,255)</b>
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(323,553)	(323,553)
<b>At 31 March 2018</b>	<b>125</b>	<b>(2,133,933)</b>	<b>(2,133,808)</b>

**FENLAND RENEWABLES LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(323,553)	(597,352)
<b>Adjustments for:</b>		
Depreciation of tangible assets	953,237	976,242
Decrease in debtors	51,186	78,674
Increase in creditors	403,112	43,361
Net changes in fair value of interest rate swaps through profit and loss	(403,461)	588,261
Decommissioning interest	(26,547)	35,807
Finance costs	683,567	640,754
<b>Net cash generated from operating activities</b>	<b>1,337,541</b>	<b>1,765,747</b>
<b>Cash flows from financing activities</b>		
Drawdown of loan from parent company	17,448,765	-
Interest paid	(394,756)	(585,664)
Repayment of loan to parent company	(1,730,000)	(1,542,347)
Repayment of bank loans	(17,325,224)	(612,852)
<b>Net cash used in financing activities</b>	<b>(2,001,215)</b>	<b>(2,740,863)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(663,674)</b>	<b>(975,116)</b>
Cash and cash equivalents at beginning of year	1,032,717	2,007,833
<b>Cash and cash equivalents at the end of year</b>	<b>369,043</b>	<b>1,032,717</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank	369,043	332,364
Debt reserve deposits	-	700,353
	<b>369,043</b>	<b>1,032,717</b>

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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 1. General information

Fenland Renewables Limited (the "Company") was incorporated with limited liability in England under the Companies Act 2006, on 5 March 2014 with registered number 08924806. The registered office and principal place of business of the Company is 5th Floor North Side, 7-10 Chandos Street, Cavendish Square, London, W1G 9DQ.

The principal activities of the Company are the development of solar photovoltaic ("Solar PV") projects and the generation and supply of electricity from a solar photovoltaic site.

#### 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 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 judgment in applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on page 15.

The Company's functional and presentation currency is the pound sterling. There are no foreign currency transactions and balances.

##### 2.2 Going concern

The directors believe that the Company is well placed to manage its business risks successfully. Having reviewed the Company's current position and given the continued financial support provided by the parent company, NextEnergy Solar Holdings VI Limited, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial support is made available for a period of not less than 12 months from the date of signing these financial statements. The directors have received confirmation of this support.

##### 2.3 Exemptions under Companies Act

The Company has also adopted the following disclosure exemptions:

- Strategic Report: Companies Act Strategic Report exemption for small companies under section 414B.

##### 2.4 Revenue

###### Revenue recognition

Revenue is measured at fair value and represents monies from the generation of energy from operational solar parks during the year. Any uninvoiced revenue is accrued in the year in which it has been generated.

Revenue is stated net of value added tax and is generated entirely within the United Kingdom.

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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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## 2. Accounting policies (continued)

### 2.4 Revenue (continued)

#### Revenue relating to income for Renewable Obligation Certificates ("ROC")

The number of ROCs are calculated each month based on the net number of megawatts of power exported. The ROC price is fixed for each Compliance Period which runs from 1 April to 31 March and is published in advance by Ofgem. Management has adopted the policy of recognising ROC revenue monthly, based on the price for the relevant compliance period.

#### Revenue relating to income for Power Purchase Agreement ("PPA")

The PPA revenue is paid by licensed electricity companies who offer a long-term contract known as PPA which can run from twelve months to ten years or more. PPA revenue is calculated each month based on the megawatts of power exported multiplied by the price guaranteed under the PPA for all electricity produced for the period of the relevant contract.

#### Revenue relating to income for ROC Recycle

The ROC recycle price is not published until September following the accounting year end. As such, prices cannot be reliably estimated and revenue from ROC recycle is not accrued for as at the accounting year end. The revenue is recognised only in the following accounting year when price can be reliably determined.

### 2.5 Tangible 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:

Solar PV Equipment	4%
Inverters	10%

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.

The useful life of the solar PV equipment is 25 years and inverters is 10 years. This was in recognition of what is considered industry standard of useful life for solar PV equipment and inverters.

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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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## 2. Accounting policies (continued)

### 2.5 Tangible assets (continued)

#### Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

#### Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included in 'Other operating (losses)/gains'.

### 2.6 Operating leases

Leases that do not transfer a significant proportion of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to statement of comprehensive income on a straightline basis over the period of the lease.

### 2.7 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.

### 2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and debt reserve deposits.

### 2.9 Financial instruments

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of the 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

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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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## 2. Accounting policies (continued)

### 2.9 Financial instruments (continued)

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.

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.

A financial asset, or a portion of a financial asset, is derecognised when:

- the right to receive cash flows from the asset have expired; or
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred the rights to receive cash flows from the asset and either:
  - i. has transferred substantially all the risks and rewards of the assets; or
  - ii. has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control of the assets.

### 2.10 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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## 2. Accounting policies (continued)

### 2.10 Financial liabilities (continued)

Subsequently, the measurement of financial liabilities depends on their classification as follows:

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

#### **Interest bearing loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

#### **Derecognition of financial liabilities**

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

#### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### 2.11 Hedge accounting

The Company uses variable to fixed interest rate swaps to manage its exposure to fair value risk on its enter-user text. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

### 2.12 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.

### 2.13 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.



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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.14 Provisions and contingencies

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

In particular, provisions for decommissioning costs are recognised when the Company has an obligation to dismantle and remove the Solar PV equipment and to restore the land on which it is located. Liabilities may arise upon construction of such facilities, upon acquisition or through a subsequent change in legislation or regulations. The amount recognised is the estimated present value of expenditure determined in accordance with local conditions and requirements. A corresponding tangible asset equivalent to the provision is also created.

Any changes in the present value of the estimated expenditure is added to or deducted from the cost of the assets to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The unwinding of the discount on the decommissioning provision is included as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted for as appropriate.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

##### 2.15 Current and deferred taxation

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 not recognised in respect of permanent differences.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.15 Current and deferred taxation (continued)

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.

#### 3. Critical judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts for assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values that are not readily apparent from other sources. Actual values 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical accounting policies and estimates in determining the financial condition and results of the Company are those requiring a greater degree of subjective or complete judgment. These are discussed below:

##### **Decommissioning costs**

As part of the measurement and recognition of assets and liabilities in the period, the Company has recognised a provision for decommissioning obligations associated with the solar park. In determining the present value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. The carrying amount of the provision as at 31 March 2018 was £1,107,445 (2017: £1,571,061).

In the financial period, the directors have reassessed the decommissioning provision by seeking an update from a reliable external provider regarding the cost of removal which has confirmed that the existing cost of removal is still reasonable. The inflation rate and discount rate has been updated to reflect the current market assessment of the time value of money and risks specific to the liability. The inflation and discount rate applied is 2.3% (2017: 2.0%) and 3.8% (2017: 2.2%) respectively. The changes in estimations has resulted in a movement of £437,069.

Should this discount rate increase/decrease by 1 percentage point, the value of the decommissioning provision would be £209,445 lower/£261,070 higher.

##### **Deferred tax**

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

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**FENLAND RENEWABLES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**4. Revenue**

The whole of the Company's revenue is attributable to its market in the United Kingdom and is derived from the principal activity of the generation and supply of electricity from a photovoltaic site, and the associated incentives and PPA as outlined within the accounting policies.

**5. Operating (loss)/profit**

The operating (loss)/profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	953,237	976,242
Management fees	682,870	-
Lease costs	83,465	89,077
Operations and maintenance	222,804	217,112
Asset management fees	159,833	6,487
	<u>          </u>	<u>          </u>

**6. Auditors' remuneration**

NextEnergy Solar Holdings VI Limited (2017: NextEnergy Solar Holdings III Limited) will pay the audit fee of £8,500 (2017: £7,000) relating to the audit of the financial statements for the year on behalf of the Company.

**7. Employees**

The Company has no employees other than the directors, who did not receive any remuneration.

**8. Directors' remuneration**

The remuneration of the directors was £nil for the year (2017: £nil).

**9. Finance costs**

	2018 £	2017 £
Amortisation of transaction costs	288,811	26,570
Bank interest	394,756	614,184
	<u>683,567</u>	<u>640,754</u>

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**FENLAND RENEWABLES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**10. Taxation**

	2018 £	2017 £
<b>Current tax</b>		
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
<b>Total deferred tax</b>	-	-
<b>Taxation on loss on ordinary activities</b>	-	-

**Factors affecting tax charge for the year**

The tax assessed for the year differs (2017 - differs) from the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(323,553)	(597,352)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	(61,475)	(119,470)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	152	124,814
Capital allowances for year in excess of depreciation	11,452	12,081
Income not taxable for tax purposes	(6,698)	-
Adjustment of closing deferred tax to average rate of 19% (2017: 20%)	26,699	31,117
Adjustment of opening deferred tax to average rate of 19% (2017: 20%)	(20,744)	(22,487)
Deferred tax not recognised	50,614	(26,055)
<b>Total tax charge for the year</b>	-	-

A potential deferred tax asset of £226,945 (2017: £176,331) has been identified based on the fixed asset timing differences of £1,334,971 (2017: £1,037,241). Management have made an assessment of the recoverability of this asset and have deemed it prudent not to recognise this amount within the financial statements, as it is their view that there is insufficient evidence to show it is probable that the Company will be able to benefit from the utilisation of the asset. This position will be reassessed in the following year.

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**FENLAND RENEWABLES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**10. Taxation (continued)**

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**11. Tangible assets**

	Solar PV Equipment £	Inverters £	Total £
<b>Cost</b>			
At 1 April 2017	21,228,575	1,250,930	22,479,505
Changes in assumptions of provisions	(437,069)	-	(437,069)
At 31 March 2018	<u>20,791,506</u>	<u>1,250,930</u>	<u>22,042,436</u>
<b>Accumulated depreciation</b>			
At 1 April 2017	1,819,184	261,265	2,080,449
Charge for the year on owned assets	828,072	125,165	953,237
At 31 March 2018	<u>2,647,256</u>	<u>386,430</u>	<u>3,033,686</u>
<b>Net book value</b>			
At 31 March 2018	<u>18,144,250</u>	<u>864,500</u>	<u>19,008,750</u>
At 31 March 2017	<u>19,409,391</u>	<u>989,665</u>	<u>20,399,056</u>

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**FENLAND RENEWABLES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**12. Debtors: amounts falling due within one year**

	2018 £	2017 £
Trade debtors	28,838	76,353
Prepayments and accrued income	377,231	380,902
	<u>406,069</u>	<u>457,255</u>

**13. Cash at bank**

	2018 £	2017 £
Cash at bank	369,043	332,364
Debt reserve deposits	-	700,353
	<u>369,043</u>	<u>1,032,717</u>

**14. Creditors: amounts falling due within one year**

	2018 £	2017 £
Bank loans	-	688,757
Trade creditors	139,188	84,817
Loans due to parent	20,519,710	4,125,014
VAT	24,642	84,589
Accruals	126,685	209,128
	<u>20,810,225</u>	<u>5,192,305</u>

**15. Creditors: Amounts falling due after more than one year**

	2018 £	2017 £
Bank loans	-	16,347,656
Interest rate swaps	-	588,261
	<u>-</u>	<u>16,935,917</u>

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**FENLAND RENEWABLES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**16. Provisions for liabilities and charges**

	Decommissioning costs £
At 1 April 2017	1,571,061
Changes in assumptions of provisions	(437,069)
Credited to Statement of Comprehensive Income	(26,547)
<b>At 31 March 2018</b>	<b>1,107,445</b>

Please refer to the accounting policy, "Provisions and contingencies" for the basis on which the decommissioning provision has been calculated on page 14.

**17. Financial liabilities**

Analysis of the maturity of loans is given below:

	2018 £	2017 £
<b>Amounts falling due within one year</b>		
Bank loans	-	688,757
Amounts owed to group companies	20,519,710	4,125,014
	<u>20,519,710</u>	<u>4,813,771</u>
<b>Amounts falling due after more than one year</b>		
Bank loans	-	16,347,656
Interest rate swap	-	588,261
	<u>-</u>	<u>16,935,917</u>
	<u><b>20,519,710</b></u>	<u><b>21,749,688</b></u>

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**FENLAND RENEWABLES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**18. Financial instruments**

	2018 £	2017 £
<b>Financial assets measured at amortised cost</b>		
Cash at bank	369,043	1,032,717
Trade and other debtors excluding prepayments	256,442	340,962
	<u>625,485</u>	<u>1,373,679</u>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other creditors	(265,873)	(378,534)
Loans due to parent	(20,519,710)	(4,125,014)
Bank loans	-	(17,036,413)
	<u>(20,785,583)</u>	<u>(21,539,961)</u>
<b>Financial liabilities measured at fair value through profit or loss</b>		
Interest rate swaps	-	(588,261)
	<u>-</u>	<u>(588,261)</u>

**19. Called up share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
125 (2017: 125) Ordinary Shares of £1 each	<u>125</u>	<u>125</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and repayment of capital.

All share capital was fully paid at 31 March 2018.



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**FENLAND RENEWABLES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**20. Commitments under operating leases**

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

	2018 £	2017 £
Not later than 1 year	90,813	90,858
Later than 1 year and not later than 5 years	394,224	381,971
Later than 5 years	2,430,777	2,054,326
	<u>2,915,814</u>	<u>2,527,155</u>

**21. Related party transactions**

The Company is a wholly owned subsidiary of NextEnergy Solar Holdings VI Limited (2017: Hanwha UK Solar 1 Limited). At the reporting date the Company owed £20,519,710 to NextEnergy Solar Holdings VI Limited in respect of payments made by NextEnergy Solar Holdings VI Limited. As at 31 March 2017, the Company owed £4,125,014 to Hanwha UK Solar 1 Limited in respect of payments made by Hanwha UK Solar 1 Limited.

NextEnergy Solar Holdings VI Limited charged the Company a management fee of £682,870 for the year ended 31 March 2018 (2017: £nil). At the statement of financial position date the Company owed £nil (2017: £nil).

WiseEnergy (Great Britain) Limited ("WiseEnergy") is a related party through mutual ownership by NextEnergy Solar Holdings VI Limited. During the year, the Company paid £33,628 (2017: £nil) to WiseEnergy in respect of asset management services provided. At the year end £nil (2017: £28,559) was owing to WiseEnergy.

**22. Controlling parties**

As at 31 March 2018 the immediate parent undertaking is NextEnergy Solar Holdings VI Limited (2017: Hanwha UK Solar 1 Limited).

The ultimate controlling party is NextEnergy Solar Fund Limited, a company incorporated in Guernsey with the registered office at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL; and is listed on the London Stock Exchange.

The ultimate and the immediate parent undertaking does not consolidate these financial statements as it meets the definition of an investment entity as described by IFRS 10. Under IFRS 10, investment entities are required to hold subsidiaries at fair value through the Statement of Comprehensive Income rather than consolidate them.

Copies of NextEnergy Solar Fund Limited financial statements are publicly available and can be obtained from the company's website.

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## FENLAND RENEWABLES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 23. Financial risk management

The Company's principal financial assets and liabilities comprise debtors, cash at bank and creditors. The Company has exposure to the following risks from its use of financial instruments:

- Market risk, including interest rate and inflation rate risks
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for assessing and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

##### Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return of risk.

The Company receives funding from the parent company from time to time.

##### Credit risk

The Company's policies are aimed at minimising losses as a result of a counterparty's failure to honour its obligations. Exposure to credit risk arises as a result of the transactions with counterparties. The counterparties used by the Company are considered by management to be of appropriate credit rating. At the statement of financial position date, the Company's financial assets were neither impaired nor past due. The maximum credit exposure at reporting date is the carrying value of the credit balances, if any.

##### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its risk of a shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

##### Capital management

Management considers capital to consist of equity plus net debt as disclosed in the statement of financial position. The primary objective of the Company's capital management is to ensure healthy capital ratios in order to support its business and maximise shareholder value. The Company's financial instruments comprise cash and liquid resources and various items, such as debtors and creditors that arise directly from its operations. The Company's policy is to finance its operations through group borrowings.

It is the Company's policy not to hold financial instruments for speculative purposes. At 31 March 2018, the Company has amounts due to group undertakings. The fair value of creditors approximated the book value. The Company had no financial assets other than cash at bank, and trade and other debtors.

Refer to Note 17 for a table summarising the maturity of the Company's financial liabilities.

#### 24. Capital commitments

The Company had no material capital commitments at 31 March 2018, other than what has been disclosed under Note 20, commitments under operating leases.