Company No. 09051498

Skylark Energy Limited

Report and Financial Statements

For the year ended 31st December 2015

STRATEGIC REPORT

The directors present their strategic report together with the directors' report, the audited financial statements of the Company and the auditor's report for the year ended 31st December 2015.

PRINCIPAL ACTIVITIES

The Company's principal activity is to identify green field sites and acquire options to develop potential wind farms on these sites by obtaining necessary consents including planning permissions. The directors do not foresee any change in business activities in the foreseeable future.

BUSINESS REVIEW

During the period under review the Company had options for three sites for which it sought relevant planning consent. Two of the sites had their planning application appeals rejected after the balance sheet date and as a result the directors of the Company have written off the assets attributable to these sites in these financial statements. The directors are satisfied with the progress of the third site and expect to achieve necessary consent to develop additional sites in the foreseeable future.

FINANCIAL PERFORMANCE

Loss on ordinary activities before tax for the year was £13,476,000 (2014: loss £117,000). The directors have not recommended a dividend.

FINANCIAL POSITION

The Company is financed by a 50:50 Joint venture partnership agreement between Skanska Infrastructure Development UK Ltd and Ecotricity Group Limited. Loans from the JV partners are made available to the Company to acquire options for potential sites and working capital requirements.

PRINCIPAL RISKS AND UNCERTAINTIES

Acquired sites will be developed from early Greenfield stage and are dependent on obtaining necessary consents from authorities. Although every potential site will undergo a robust analysis and assessment in order to ensure that the Company only accepts and develops sites with a good prospect of achieving the necessary consents the directors accept there is a risk of not obtaining the necessary consents required for this process.

KEY PERFORMANCE INDICATORS

The company utilises a wide range of operational performance measures across its business activities. However, these are all activity or project specific. The company's directors do not believe that further key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business as a whole.

SUSTAINABILITY AND THE ENVIRONMENT

The Company acts in accordance with the Code of Conduct set out in the Joint Venture Agreement and this increasingly means acting in a sustainable and responsible manner to meet the long-term demands of the Company's shareholders as well as society at large.

GOING CONCERN

Notwithstanding the deficit on net assets and the loss for the year, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis on the grounds that future profit forecasts and cash flows illustrate a return to profitability in the foreseeable future.

In addition, the Company is reliant on the continued support from the JV partners, who have confirmed that it is their present intention to provide sufficient funds to enable the Company to continue its normal trading activities and pay its debts as and when they fall due, and not to seek early repayment of their loans to the Company.

STRATEGIC REPORT (continued)

POST BALANCE SHEET EVENTS

Two of the sites had their planning application appeals rejected after the balance sheet date. As a result of these rejections, the directors of the Company have impaired the value of these two sites in these financial statements.

By Order of the Board

I. Anderson
Director

Date: 18 November 2016

Registered office:
Maple Cross House,
Denham Way,
Maple Cross,
Rickmansworth,
Hertfordshire WD3 9SW

Registered in England

DIRECTORS' REPORT

The directors present their report with the audited financial statements of the Company and the auditor's report for the year ended 31st December 2015.

RESULTS AND DIVIDENDS

The results for the year are set out in the Statement of comprehensive income on page 7. The post-tax loss for the year ended 31st December 2015 of £13,409,000 (2014: loss £92,000) has been transferred to reserves.

The directors do not recommend the payment of any dividend on the issued ordinary share capital of the Company in respect of the year ended 31st December 2015 (2014: nil).

DIRECTORS

The following persons were directors of the Company during the period 1st January to 31st December 2015

S. Beauchamp
T Cowling
A Rehmanwala
H Martin (resigned 21 July 2015)
S Cooper (appointed 21 July 2015)

Since 31 December 2015 and the date of this report S Cooper resigned as a director of the Company (2 March 2016). Ian Anderson was appointed as a director on 22 March 2016. There were no other changes in the directors' interests between 31 December 2015 and the date of this report, other than those stated above. No directors during the period had a material interest in any contract significant to the Company's business.

EMPLOYMENT POLICIES

The Company has no employees.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself /herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

AUDITOR

Pursuant to Section 485 of the Companies Act 2006, KPMG LLP has been appointed auditor of the Company.

By Order of the Board

I. Anderson
Director

Date: 18 November 2016

Registered office:
Maple Cross House,
Denham Way,
Maple Cross,
Rickmansworth,
Hertfordshire WD3 9SW

Registered in England
Registration number: 09051498

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 period. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Skylark Energy Limited

We have audited the financial statements of Skylark Energy Limited for the year ended 31 December 2015 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Stephen Wardell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL
22 November 2016

Statement of comprehensive income for the year ended 31st December 2015

	Notes	2015 £'000	2014 £'000
Revenue	2	-	-
Cost of Sales		-	-
Gross Profit / (loss)		-	-
Net operating and other administrative expenses		(13,476)	(117)
Operating loss	3	**(13,476)**	**(117)**
Finance costs	7	-	-
Loss before tax		**(13,476)**	**(117)**
Tax credit on loss on ordinary activities	8	67	25
Loss for the period		**(13,409)**	**(92)**

The notes on pages 11 to 17 form an integral part of these financial statements.

The company has no other comprehensive income or expense in the period with the exception of the loss for the year.

All results are derived from continuing operations.

Statement of financial position at 31st December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	4	13,025	10,945
Deferred tax asset		92	25
		13,117	10,970
Current assets			
Trade and other receivables	9	186	348
Cash and cash equivalents		68	19
		254	367
Total assets		**13,371**	**11,337**
Current liabilities			
Trade and other payables	11	(3,254)	(141)
		(3,254)	(141)
Non-current liabilities			
Other interest-bearing loans and borrowings		(23,618)	(11,288)
Total liabilities		(26,872)	(11,429)
Net liabilities		**(13,501)**	**(92)**
Equity			
Share capital	12	-	-
Retained earnings	13	(13,501)	(92)
Equity shareholders' deficit	14	**(13,501)**	**(92)**

The notes on pages 11 to 17 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 18 November 2016 and signed on its behalf by:

I Anderson
Director

Statement of cash flows
For the year ended 31st December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Loss before tax	(13,476)	(117)
Adjustments for :		
Depreciation, amortisation and impairment	13,056	-
Finance income	-	-
Finance costs	-	-
Decrease/ (increase) in trade and other receivables	95	(373)
Increase in trade and other payables	3,113	141
Cash generated / (used) in operations	**2,788**	**(349)**
Tax	67	25
Net cash from operating activities	**2,855**	**(324)**
Cash flows from investing activities		
Proceeds from sale of investments	-	-
Interest received	-	-
Dividends received	-	-
Acquisition of intangible assets	(14,389)	(10,856)
Net cash from investing activities	**(14,389)**	**(10,856)**
Cash flows from financing activities		
Drawdown of loans from related parties	11,583	11,199
Net cash from financing activities	**11,583**	**11,199**
Net increase in cash and cash equivalents	49	19
Cash and cash equivalents at 01 January	19	-
Cash and cash equivalent at 31 December	**68**	**19**

Statement of changes in equity
For the year ended 31st December 2015

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 11th September 2014	14	-	-	-
Loss for the period		-	(92)	(92)
Balance at 31st December 2014	14	-	**(92)**	**(92)**
Loss for the year			(13,409)	(13,409)
Balance at 31st December 2015	14	-	**(13,501)**	**(13,501)**

The notes on pages 11 to 17 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently in the current period. The financial statements are presented in pounds sterling (rounded to the nearest thousand), being the functional currency of the company.

(a) Accounting conventions

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), issued by the International Accounting Standards Board (IASB), as well as the interpretations by the IFRS Interpretations Committee and its predecessor the Standing Interpretations Committee (SIC), to the extent these standards and interpretations have been approved by the EU.

(b) New standards and interpretations

The following Adopted IFRSs have been issued but have not been applied in these financial statements.. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

IFRS 9 Financial Instruments. The expected effective date of implementation is 1 January 2018. The full impact has yet to be assessed

IFRS 15 Revenue from Contracts with Customers (effective for year commencing on or after 1 January 2018). This standard was released on 28 May 2014 and the full impact has yet to be assessed.

IFRS 16 Leases. The expected effective date of implementation is 1 January 2019. The full impact has yet to be assessed

(c) Basis of preparation

Notwithstanding the deficit on net assets the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis on the grounds that future profit forecasts and cash flows illustrate a return to profitability in the foreseeable future.

The Company is reliant on the continued support of its joint venture investors, Both Skanska Infrastructure Development UK Limited and Ecotricity Group Limited intend to provide sufficient funds to enable the Company to continue its normal trading activities and pay its debts as and when they fall due and not to seek early repayment of their loans to the Company.

(d) Revenue and profit

Revenue is recognised at the point where the Company has obtained planning consent for the sites and a binding sales agreement has been completed.

(e) Taxation

Deferred taxation is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes, except for temporary differences on the revaluation of assets and the future remittance of undistributed earnings from subsidiaries, joint ventures and associates. Deferred tax assets are recorded only to the extent that they are considered recoverable.
UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the financial position date.

(f) Development and intangible assets

Intangible assets are development wind assets which represent the costs incurred in bringing individual wind park sites to the consented stage. Options over the land sites which have been identified for development form the basis of the assets.

Subsequent directly attributable and separately identifiable costs, including attributable labour and overhead costs, planning application costs and environmental impact studies costs over the land in respect of which the interest is held are capitalised as the costs form the basis of a development wind asset farm from which future economic benefits are likely to flow. Finance costs deemed directly attributable to the development of the assets are capitalised in line with IAS 23 Borrowing Costs.

Development wind assets are not amortised until the asset is substantially complete and ready for its intended use. At the time the planning permission is approved and the option is exercised the carrying value of the project is translated to property, plant and equipment under the useful life of the related operational asset. The asset is derecognised on disposal. When planning permission is not granted or a decision is made not to acquire the land the related assets are written off.

(g) Financial instruments

Financial assets and financial liabilities are recognised in the Company Balance Sheet when the Company becomes party to the contractual provisions of the instrument. Trade receivables and other receivables do not carry any interest and are stated at their nominal value, reduced by appropriate allowances for estimated irrecoverable amounts. Interest is accounted for on an accruals basis. Trade payables on normal terms are not interest bearing and are stated at their nominal value.

Notes to the financial statements (continued)

2. Revenue

The directors are of the opinion that revenue represents one class of business which is the development of sites and to obtain planning consent so they can be sold to suitable purchasers. The revenue arises wholly within the United Kingdom.

3. Operating loss

Operating loss is stated after charging:

	2015 £'000	2014 £'000
Auditor's remuneration - Audit of the financial statements	6	6
- Other services	-	-
Impairment loss on intangible assets	13,056	-
Depreciation	-	-

4. Intangible assets

	2015 £'000	2014 £'000
Cost		
At beginning of period	10,945	-
Additions	15,136	10,945
At end of period	26,081	10,945
Depreciation		
At beginning of period	-	-
Charge for period	-	-
Impairment charge	(13,056)	-
At end of period	(13,056)	-
Net book value		
At the beginning of the period	10,945	-
At the end of the period	13,025	10,945

Two of the sites had their planning application appeals rejected after the balance sheet date. As a result of these rejections the directors of the Company have impaired the value of these two sites totalling £13,056,000 (2014: £nil). Intangible assets includes capitalised interest of £285,000 (2014: £90,000). Additional £553,000 was capitalised as part of intangible assets, but subsequently impaired as part of the intangibles assets due to two sites having their planning application appeals rejected after the balance sheet date.

Notes to the financial statements (continued)

5. Staff numbers and costs

The Company had no employees during the year (2014: none)

6. Directors' remuneration

No Director received remuneration for services to the Company during the year (2014: none). The Company is managed by secondees from the shareholders under a management service contract

7. Finance costs

Interest costs of £748,000 (2014: £90,000) were capitalised in the period as per the criteria set out in IAS 23 Borrowing Costs.

8. Corporation tax

	2015 £'000	2014 £'000
Analysis of tax credit in the period		
Current tax		
UK Corporation Tax credit on loss for the year at 20.25%	71	25
Prior period adjustment	(4)	-
Total current tax credit	67	25

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 20.25% (*2014: 21.5%*). It is explained below.

	2015 £'000	2014 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	(13,476)	(117)
Current tax at 20.25% (2014:21.5%)	2,729	25
Effects of:		
Current year losses for which no deferred tax asset was recognised	(2,219)	-
Adjustment in respect of prior years	(4)	-
Rate difference	(439)	
Total current tax charge for period	67	25

Notes to the financial statements (continued)

8. Corporation tax (continued)

At the balance sheet date, the Company has unused trading losses of £13,593,000 (2014: £117,000), which may be utilised against future trading profits. A deferred tax asset of £92,000 (2014: £25,000) has been recognised at the balance sheet date. An unrecognised deferred tax asset of £2,219,000 (2014: £nil) has not been recognised as its future recoverability remains uncertain.

9. Trade and other receivables

	2015 £'000	2014 £'000
Other debtors	186	348
	186	348

10. Trade and other payables

	2015 £'000	2014 £'000
Other creditors, including tax and social security	3,122	136
Accruals and deferred income	132	5
	3,254	141

11. Financial Instruments

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Company's business.

Credit risk

Management has a credit policy in place. Credit evaluations are performed on all prospective customers prior to entering into construction contracts. Every joint investor in a project is required to provide a letter of credit to support its obligations prior to financial close unless payment is made at financial close.

Interest rate risk

The Company does not seek to reduce exposure to fluctuations in interest rates through the use of derivative financial instruments.

Liquidity risk

The Company uses cash-flow projections as a means of managing the fluctuations in short-term liquidity and to minimise the risk that it cannot meet its payment obligations due to lack of liquidity.

Fair values

The carrying amount shown in the balance sheet for trade receivables, cash and cash equivalents, trade and other payables are not considered to be materially different from their fair values. Details of these items are included within notes 9 and 10.

Notes to the financial statements (continued)

12. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

13. Retained earnings

	2015 £'000	2014 £'000
At the beginning of the period	(92)	-
Loss for the period	(13,409)	(92)
At the end of the period	(13,501)	(92)

14. Reconciliation of movements in shareholders' deficits

	2015 £'000	2014 £'000
Opening shareholders' deficit	(92)	-
Loss for the period	(13,409)	(92)
Closing shareholders' deficit	(13,501)	(92)

Notes to the financial statements (continued)

15. Contingent liabilities and commitments

	2015 £'000	2014 £'000
Less than one year	-	14,201
Between two and five years	-	-
Over five years	-	-
	-	14,201

All amounts relate to the Company's obligation for milestone payments to purchase options on sites for development of potential wind farms.

As far as the directors are aware, there are no contingent liabilities as at the year end (2014: none).

16. Related Party transactions

The Company is jointly owned by Skanska Infrastructure Development UK Limited and Ecotricity Group Limited. Loans incurring interest at a rate of 3.5% above the base rate of the Bank of England are made available to the Company to acquire options for potential sites and working capital requirements.

The Company entered into a Loan Agreement on 11th September 2014 and is obliged to pay interest on the loans at the rate of 3.5% above the base rate of the Bank of England, as varied from time to time. The value of principle loans outstanding at 31 December 2015 was £23,618,000 (2014: £11,258,000) including accrued interest of £838,000 (2014: £90,000) and is due after 90 months of the loan agreement.

The Company also entered into an agreement with both Skanska Infrastructure Development UK Ltd and Ecotricity Group Limited for the provision of certain management services. The value of the management fees for the period of the financial statements was £402,000 (2014: £116,000) (amount outstanding at 31 December 2015: £537,089 (2014: £139,700)). Amounts outstanding at 31 December 2015 include VAT at 20%.

The Company also entered into an agreement with Ecotricity Group Limited to acquire land options and technical services. The value of land options and technical services acquired during the period of the financial statements was £14,388,000 (2014: £10,865,000) (amount outstanding at 31 December 2015: £2,704,616 including VAT of £126,000 (2014: £nil)).