Company Registration No. SC475345 (Scotland)

KINCARDINE OFFSHORE WINDFARM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 15-MONTH PERIOD ENDED 31 DECEMBER 2018

KINCARDINE OFFSHORE WINDFARM LIMITED

COMPANY INFORMATION

Directors	Mr A MacAskill Lord N R Stephen Mr J A Fernandez Garcia Mr J C Gonzalez Wiedmaier Mr A Perez Alonso Mr J Altolaguirre
Company number	SC475345
Registered office	c/o CMS Cameron McKenna LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EN

KINCARDINE OFFSHORE WINDFARM LIMITED

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KINCARDINE OFFSHORE WINDFARM LIMITED

DIRECTORS' REPORT

FOR THE 15-MONTH PERIOD ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements of the Kincardine Offshore Windfarm Limited (the "Company") for the 15-month period ended 31 December 2018. The Company changed its accounting period to 31 December from 30 September hence the current period financial statements are prepared for the 15-month period to 31 December 2018 and therefore not strictly comparable to previous years.

Directors of the Company
The directors who have served during the period were as follows:

Mr A MacAskill
Lord N R Stephen
Mr J A Fernandez Garcia
Mr J C Gonzalez Wiedmaier
Mr A Perez Alonso
Mr J Altolaguirre (appointed 5 February 2018)
Mr C Barat Vinacua (resigned 3 December 2017)
Mr A Hepburn (appointed 15 December 2017 and resigned 5 February 2018)

Results and dividends
The results for the year are set out on page 6.
No ordinary dividends were paid (2017: £nil). The directors do not recommend payment of a final dividend.

Financial risk management objectives and policies
The Company's activities expose it to a number of financial risks including: market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company does not use derivatives to manage financial risk or for speculative purposes. Further information on the Company's financial risk management is provided within note 16.

Research and development
The Company incurred £7,429,414 of development costs during the period (2017: £3,045,441).

Employees
There were no employees during the period and preceding year apart from the directors. The average number of directors during the period was 6 (2017: 6).

Statement of directors' responsibilities
The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

Statement of directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors 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.

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.

Disclosure of information to the auditors

We, the directors of the Company who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the Company's auditors are unaware; and

- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The report of the directors has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

Independent auditors
Johnston Carmichael LLP have expressed their willingness to continue in office as auditors and appropriate arrangements are being made for them to be deemed reappointed

On behalf of the board

Mr J Aitolaguirre
Director

27 September 2019

Mr A MacAskill
Director

27 September 2019

Opinion

We have audited the financial statements of Kincardine Offshore Windfarm Limited (the 'Company') for the 15-month period ended 31 December 2018, which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018, and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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 this regard.

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 period 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.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.
We have nothing to report in respect of the following matters in relation to which 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; or

- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1-2, 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.

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Graeme Fraser (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP,

27 September 2019

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

KINCARDINE OFFSHORE WINDFARM LIMITED

INCOME STATEMENT

FOR THE 15-MONTH PERIOD ENDED 31 DECEMBER 2018

	Notes	15-month period ended 31 December 2018 £	Year ended 30 September 2017 £
Revenue	3	100,603	-
Cost of sales	4	(616,338)	-
Gross loss		(515,735)	-
Administrative income/ (expenses)	4	16,644	(102,183)
Operating loss		(499,091)	(102,183)
Finance income	6	-	198
Finance expenses	6	-	(17,308)
Loss before taxation		(499,091)	(119,293)
Income tax charge	7	-	-
Loss and total comprehensive loss for the period/year		(499,091)	(119,293)

This income statement has been prepared on the basis that all operations are continuing.

There are no other gains or losses in the current period or in the comparative year other than those shown above, hence a separate statement of other comprehensive income is not presented.

KINCARDINE OFFSHORE WINDFARM LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Assets	Notes	31 December 2018 £	30 September 2017 £
Non-current assets			
Property, plant and equipment	8	60,825,017	1,067,333
Intangible assets	9	11,334,639	3,746,494
		72,159,656	4,813,827
Current assets			
Trade and other receivables	10	6,116,188	3,591,857
Cash and cash equivalents	11	9,483,414	48,892
		15,599,602	3,640,749
Total assets		87,759,258	8,454,576
Equity and liabilities			
Equity			
Share capital	17	100	100
Retained earnings	18	(888,048)	(388,957)
Total equity		(887,948)	(388,857)
Non-current liabilities			
Loans and borrowings	12	-	7,694,581
		-	7,694,581
Current liabilities			
Trade and other payables	14	768,214	1,148,852
Loans and borrowings	12	87,878,992	-
		88,647,206	1,148,852
Total liabilities		88,647,206	8,843,433
Total equity and liabilities		87,759,258	8,454,576

The financial statements were approved by the board of directors and authorised for issue on 27th SEPT 2019
Signed on its behalf by:

Mr J Aitolaguirre
Director

Mr A MacAskill
Director

Company Registration No. SC475345

KINCARDINE OFFSHORE WINDFARM LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE 15-MONTH PERIOD ENDED 31 DECEMBER 2018

	Share capital £	Retained earnings £	Total £
Balance at 1 October 2016	100	(269,664)	(269,564)
Loss and total comprehensive loss for the year	-	(119,293)	(119,293)
Balance at 30 September 2017	100	(388,957)	(388,857)
Loss and total comprehensive loss for the period	-	(499,091)	(499,091)
Balance at 31 December 2018	100	(888,048)	(887,948)

KINCARDINE OFFSHORE WINDFARM LIMITED

STATEMENT OF CASH FLOWS

FOR THE 15-MONTH PERIOD ENDED 31 DECEMBER 2018

	Notes	15-month period ended 31 December 2018		Year ended 30 September 2017	
		£	£	£	£
Loss for the period/year after tax			(499,091)		(119,293)
Adjustments for:					
Net finance costs			-		17,110
Depreciation of property, plant and equipment	8		417,558		-
Amortisation of intangible assets	9		4,456		-
Changes in:					
Increase in trade and other receivables	10		(2,524,331)		(3,539,426)
Decrease in trade and other payables	14		(380,638)		(11,558)
Cash used in operations			(2,982,046)		(3,653,167)
Interest paid			-		(17,308)
Net cash used in operating activities			(2,982,046)		(3,670,475)
Investing activities					
Purchase of property, plant and equipment		(58,754,644)		(1,054,725)	
Development expenditure		(7,098,514)		(2,926,917)	
Dividend received		-		198	
Net cash used in investing activities			(65,853,158)		(3,981,444)
Financing activities					
Proceeds from bank loans	12	80,000,000		-	
Debt issue costs		(373,113)		-	
Interest paid		(1,171,910)		-	
Proceeds from loans from fellow group undertakings	21	904,993		7,563,449	
Repayment of principal and interest on loans from fellow group undertakings		(1,090,244)		-	
Net cash from financing activities			78,269,726		7,563,449
Net increase/(decrease) in cash and cash equivalents			9,434,522		(88,470)
Cash and cash equivalents at beginning of the period/year			48,892		137,362
Cash and cash equivalents at end of the period/year	11		9,483,414		48,892

1 Accounting policies

Company information
Kincardine Offshore Windfarm Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom, domiciled and registered in Scotland. The registered number is SC475345 and the registered office is c/o CMS Cameron McKenna LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.

The principal activity of the Company is the production and sale of electricity. The Company is developing, constructing and operating an offshore wind farm located outside Aberdeen, Scotland. The name of the project is Kincardine Offshore Wind Farm. The commercial operations of the Company started on 27 September 2018 on its first production of electricity. The remaining sections of the project are currently under construction.

Cobra Wind International Ltd, a related party, is the Engineering, Procurement and Construction (EPC) and the Operations and Maintenance (O&M) contractor.

1.1 Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. They were authorised for issue by the Company's board of directors on the date set out on page 7 and the Statement of Financial Position was signed on the board's behalf by Mr J Altolaguirre and Mr A MacAskill.

The financial statements have been prepared on the historical cost basis except for loans held at amortised cost. The principal accounting policies adopted are set out below.

The financial statements are presented in the Company's functional currency, the British Pound (GBP). The accounting policies set out below, have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

Judgements and estimates made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

As set out in note 1.17, the Company has early adopted both IFRS 15: "Revenue from contracts with customers" and IFRS 9: "Financial instruments" for the first time in these financial statements. The transition to both new International Financial Reporting Standards has not resulted in any restatement required to comparative financial information, for the year ended 30 September 2017 or as at 1 October 2017.

1.2 Going concern
The Company has recorded a loss before tax of £499,091 for the 15-month period ended 31 December 2018 (year ended 30 September 2017: £119,293) with net current liabilities of £73,047,604 (30 September 2017: net current assets of £2,491,897) and net liabilities of £887,948 (30 September 2017: £388,857).

The Company is reliant upon its investor group, represented by Cobra Instalaciones y Servicios S.A., an intermediate parent company (see note 22 for further details), and various banks, to provide and secure ongoing debt and working capital funding to complete the development project. Subsequent to the period end, the Company secured an external debt funding package of £75m (see note 23 for further details). The directors are currently in the process of negotiating with various banks to secure project finance facilities sufficient to fund completion of the development of the project. Based on discussions to date, the directors are reasonably confident of securing such facilities.

Zero-E Sustainable Solutions S.A., an intermediate parent company and 100% owned by Cobra Instalaciones y Servicios S.A. has confirmed its willingness to continue to support the Company's financial obligations for a period of at least 12 months from the date these financial statements are signed.
The directors having considered the funding requirement through the forthcoming twelve months and availability of this financial support are satisfied it is appropriate for the financial statements to be prepared under the going concern basis.

1 Accounting policies (continued)

1.3 Revenue

Revenue is recognised in accordance with IFRS 15.

Revenue is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom and the current period represents recognition of the Company's first revenue. Revenue is recognised when a contract with a customer is held and the performance obligation associated with the customer contract has been satisfied (delivery of electricity units to the grid). Each unit of electricity delivered to the grid is recorded through meters and is billed under the rates applicable within the relevant customer contract.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost, which includes all costs necessary to bring the asset to working condition for its intended use. Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are also added to cost. Property, plant and equipment are subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on a straight line at the following annual rates:

Plant and equipment	4% - 10%

Depreciation commences when the asset is brought into use and as such no depreciation is charged against assets under construction.

Repair and maintenance costs are recognised in the income statement as they are incurred. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

1.5 Intangible assets other than goodwill

Development expenditure is capitalised only if the expenditure can be reliably measured, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and use or sell the asset. Borrowing costs directly relating to development expenditure is capitalised. Otherwise, it is recognised in the income statement as incurred. Subsequent to initial recognition development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their useful lives and is recognised within administrative expenses in the income statement. The estimated useful lives for capitalised development costs is 25 years. Amortisation is charged from the point at which the asset being developed starts to generate revenue. The first unit of the project was completed in September 2018 and amortisation on the development expenditure related to this asset was charged from this point. On the commercialisation of developments, the Company transfers any operational prototypes or similar assets to property, plant and equipment.

1.6 Financial instruments

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

1 Accounting policies (continued)

1.6 Financial instruments (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets (policy applicable from 1 October 2017)

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has only financial assets measured at amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

1 Accounting policies (continued)

1.6 Financial instruments (continued)

Non-derivative financial instruments (policy applicable before 1 October 2017)
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and any deposits held at call with banks with original maturities of three months or less.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

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

1.7 Impairment

Non-derivative financial assets (policy applicable from 1 October 2017)
The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

1 Accounting policies (continued)

1.7 Impairment (continued)

Non-derivative financial assets (policy applicable from 1 October 2017) (continued)
Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-derivative financial assets (policy applicable before 1 October 2017)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

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

1 Accounting policies (continued)

1.8 Taxation

The tax expense represents the current and deferred tax.

Current tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amounts of deferred tax assets and any unrecognised deferred tax assets are reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered or recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.10 Foreign currencies

Transactions in foreign currencies are translated into the Company's functional currency at the foreign currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign currency exchange rate ruling art the reporting date. Movements in the exchange rate between initial recognition and the reporting date are disclosed in the income statement as unrealised foreign exchange gains or losses. The foreign exchange gain or loss on the settlement of transactions, assets and liabilities is disclosed in the income statement as realised foreign exchange gains or losses.

1.11 Finance income and expense

Finance income and expense comprise interest receivable and payable using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Finance income comprises of interest receivable on funds invested.

Foreign currency gains and losses are reported on a net basis. Non-monetary items that are measure based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

1 Accounting policies (continued)

1.12 Grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They are then recognised in the income statement as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in the income statement on a systematic basis in the periods in which the expenses are recognised.

1.13 Leases

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.14 Reporting period

The Company changed its accounting period to 31 December from 30 September hence the current period financial statements are prepared for the 15-month period to 31 December 2018 and therefore not strictly comparable to previous years.

1.15 First time adoption of IFRS

These financial statements for the period ended 31 December 2018, are the first the Company has prepared in accordance with IFRS as adopted by the EU. For periods up to and including the year ended 30 September 2017 the Company prepared its financial statements in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101").

Accordingly, the Company has prepared financial statements which comply with IFRS as adopted by the EU applicable for periods ending on or after 31 December 2018 together with comparative period data as at and for the year ended 30 September 2017. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 October 2016, the Company's date of transition to IFRS. There were no adjustments made by the Company in restating its UK GAAP statement of financial position as at 1 October 2016 and its previously published UK GAAP financial statements as at and for the year ended 30 September 2017.

Exemptions applied

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has not adopted these exemptions.

1.16 Changes in significant accounting policies

The Company has initially applied IFRS 15 and IFRS 9 from 1 October 2017.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

Implementation of IFRS 15 had no significant impact on retained earnings at 1 October 2017 and statement of financial position as at 31 December 2018 and its income statement for the period then ended. The current period represents the first revenue recognition for the Company.

IFRS 9 Financial Instruments ("IFRS 9")

The Company has early adopted IFRS 9 with a date of initial application of 1 October 2017. The adoption of IFRS 9 has not resulted in any significant change to the Company's financial statements. Comparative financial information has not required restatement on transition to IFRS 9.

1 Accounting policies (continued)

1.16 Changes in significant accounting policies (continued)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 October 2016 and 30 September 2017:

Financial assets	Original classification under IAS 39 (at 1 October 2016 and 30 September 2017)	New classification under IFRS 9 (at 1 October 2016 and 30 September 2017)	Original carrying amount under IAS 39, £ (at 30 September 2017)	Original carrying amount under IAS 39, £ (at 1 October 2016)	New carrying amount under IFRS 9, £ (at 30 September 2017)	New carrying amount under IFRS 9, £ (at 1 October 2016)
Trade and other receivables – excluding prepayments	Loans and receivables	Amortised cost	3,591,857	52,431	3,591,857	52,431
Cash and cash equivalents	Loans and receivables	Amortised cost	48,892	137,362	48,892	137,362
Total financial assets			**3,640,279**	**189,793**	**3,640,279**	**189,793**

Financial liabilities	Original classification under IAS 39 (at 1 October 2016 and 30 September 2017)	New classification under IFRS 9 (at 1 October 2016 and 30 September 2017)	Original carrying amount under IAS 39, £ (at 30 September 2017)	Original carrying amount under IAS 39, £ (at 1 October 2016)	New carrying amount under IFRS 9, £ (at 30 September 2017)	New carrying amount under IFRS 9, £ (at 1 October 2016)
Loans from fellow group undertakings	Other financial liabilities	Other financial liabilities	7,694,581	-	7,694,581	-
Trade and other payables (excluding taxes)	Other financial liabilities	Other financial liabilities	1,148,852	1,160,410	1,148,852	1,160,410
Total financial liabilities			**8,843,433**	**1,160,410**	**8,843,433**	**1,160,410**

1 Accounting policies (continued)

1.17 Applicable new standards and interpretations

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements except for IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments".

Of those standards that are not yet effective, IFRS 16 is expected to have an impact on the Company's financial statements in the period of initial application.

IFRS 16 Leases ("IFRS 16")

The Company is required to adopt IFRS 16 "Leases" ("IFRS 16") from 1 January 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

For leases in which the Company is a lessee, the Company will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of £7,080,391 as at 1 January 2019.

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

2 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements about the application of accounting policies and 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.

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.

Critical accounting judgments and accounting estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Classification of expenditure

Accounting judgment is required in determining whether expenditure relating to plant and equipment increases and enhances the economic benefits to be received from the asset and capitalised, or if it is maintenance expenditure and should be expensed. The Company has processes and controls to evaluate the classification of such expenditure. These processes and controls include ensuring that where an item is determined to be capital in nature, the remaining net book value of any parts being replaced are disposed of and written off.

Key sources of estimation uncertainty

Carrying value and depreciation of property, plant and equipment

Indicators of impairment in respect of the carrying value of plant and equipment are assessed annually, including consideration of recoverable amount compared to carrying value. No impairment indicators have been identified at 31 December 2018. Depreciation on identified assets is determined at varying rates between 4% - 10% annually on a straight-line basis, with no depreciation charge on assets until they are brought into use. The Company continually assess the expected useful life of the identified assets and the financing in place in relation to the construction of the assets to ensure that the depreciation rates applied reflect the useful life of the assets. Total depreciation charged for the period amounted to £417,558 (2017: £nil). The cost of plant and equipment includes capitalised borrowing costs of £1,606,766 (2017: £22,982).

Carrying value and amortisation of intangible assets

Indicators of impairment in respect of the carrying value of intangible assets are assessed annually. No impairment indicators have been identified at 31 December 2018. Amortisation on development expenditure is determined on a straight-line basis over a period of 25 years, with amortisation being charged from the point at which the asset being developed starts to generate revenue. Total amortisation charged for the period amounted to £4,456 (2017: £nil). The cost of development expenditure includes capitalised borrowing costs of £449,424 (2017: £118,524).

Carrying value and recoverability of intercompany balances

The recoverability of intercompany balances is a key judgement exercised by the directors. They assess the balances at the period end, and where an indication of impairment is identified, a review is undertaken to determine whether the balances should be provided for. The carrying value of intercompany balances at the period end is considered reasonable by the directors.

Brexit

At the time of signing these financial statements, an extension to the UK's exit of the European Union was agreed until 31 October 2019, with the potential for an earlier exit should agreement be reached by the UK Parliament on the terms of departure the UK government has agreed with the European Union previously. Whilst it would appear that an orderly exit from the European Union is possible, there is still the potential for the UK to exit without a deal or even the original decision to be revisited. This is why Brexit represents an unprecedented level of uncertainty for UK businesses with the full range of possible effects unknown.

2 Critical accounting estimates and judgements (continued)

Brexit (continued)
Whilst the directors note the level of uncertainty and lack of clarity around what Brexit will look like and what it means for the business, in so far as possible, they are planning for potential outcomes. This includes the monitoring of political progress, considering guidance and support from the UK government and working with key suppliers, where relevant, to ensure continuity of supply post Brexit.

3 Revenue

All revenue arises in the UK and arises from the sale of electricity. Revenue is recognised as the electricity is provided, all transferred at a point in time.

Revenue is recognised when a contract with a customer is held and the performance obligation associated with the customer contract has been satisfied (delivery of electricity units to the grid). Each unit of electricity delivered to the grid is recoded through meters and is billed under the rates applicable within the relevant customer contract. Invoices are generated at that point in time and are usually payable within 30 days.

4 Expenses

	15-month period ended 31 December 2018 £	Year ended 30 September 2017 £
Expenses by nature		
Cost of sales		
Depreciation of property, plant and equipment	417,558	-
Operations and maintenance	193,124	-
Amortisation of intangible assets	4,456	-
Materials and consumables	1,200	-
	616,338	-
Administrative expenses		
Professional fees	(4,700)	28,375
Operating lease payments	(13,592)	45,670
Other	2,668	13,064
Exchange (gains)/losses	(1,020)	15,074
	(16,644)	102,183
Total cost of sales and administrative expenses	599,694	102,183

The remuneration of Johnston Carmichael, in their capacity as statutory auditor for the period, is estimated at £8,000 (2017: £10,500). Non-audit fees to Johnston Carmichael amounted to £25,425 (2017: £17,600).

5 Employees

There were no employees during the period/year apart from the directors. The average number of directors during the period/year was:

	15-month period ended 31 December 2018 Number	Year ended 30 September 2017 Number
Directors	6	6

Remuneration of £360,000 (2017: £180,867) for the services of two directors were levied via other companies in which those directors hold an interest, refer to note 21 for further details.

6 Net finance expense

	15-month period ended 31 December 2018 £	Year ended 30 September 2017 £
Finance expense		
Interest payable on loans from fellow group undertakings	-	17,308
Finance income		
Investment income	-	(198)
	-	17,110

All interest on outstanding debt has been capitalised in 2018.

7 Income tax expense

	Continuing operations	
	15-month period ended 31 December 2018 £	Year ended 30 September 2017 £
Current tax		
UK corporation tax on losses for the current period/year	-	-
	-	-

7 Income tax expense (continued)

The charge for the period/year can be reconciled to the loss per the income statement as follows:

	15-month period ended 31 December 2018 £	Year ended 30 September 2017 £
Loss before taxation	(499,091)	(119,293)
Expected tax charge based on a corporation tax rate of 19.00% (2017 – 19.50%)	(94,827)	(23,262)
Effect of expenses not deductible in determining taxable profit	12,231	364
Fixed assets differences	(14,707)	-
Deferred tax not recognised	87,061	19,962
Adjustments to brought forward values	-	(9,432)
Losses eliminated	-	9,432
Adjustments in respect of average deferred tax rate	10,242	2,936
	-	-

At 31 December 2018 there is a potential deferred tax asset of £87,061 (30 September 2017: £19,962) in relation to unrecognised trading losses. Management have adopted a prudent approach with respect to the calculation of the unrecognised deferred tax asset, and it is possible that the unrecognised deferred tax asset may be of greater value. It is uncertain when the Company will generate sufficient future taxable profits in the foreseeable future to utilise this amount and therefore no deferred tax asset has been recognised.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

No further rate changes have been noted within the Finance Act 2019, which received Royal Assent in February 2019.

8 Property, plant and equipment

	Plant and equipment £	Assets under construction £	Total £
Cost			
At 1 October 2016	-	701,053	701,053
Additions	-	1,067,333	1,067,333
Transfer to intangible assets	-	(701,053)	(701,053)
At 30 September 2017	-	1,067,333	1,067,333
At 1 October 2017	-	1,067,333	1,067,333
Additions	-	60,338,429	60,338,429
Transfer from assets under construction	17,628,634	(17,628,634)	-
Transfer to intangible assets	-	(163,187)	(163,187)
At 31 December 2018	17,628,634	43,613,941	61,242,575
Accumulated depreciation			
At 1 October 2016	-	-	-
Charge for the year	-	-	-
At 30 September 2017	-	-	-
At 1 October 2017	-	-	-
Charge for the period	417,558	-	417,558
At 31 December 2018	417,558	-	417,558
Carrying amount			
At 31 December 2018	17,211,076	43,613,941	60,825,017
At 30 September 2017	-	1,067,333	1,067,333

Included in the cost of plant and machinery are capitalised borrowing costs of £1,606,766 (30 September 2017: £22,982).

9 Intangible assets

	Development costs £
Cost	
At 1 October 2016	-
Additions	3,045,441
Transfer from property, plant and equipment	701,053
At 30 September 2017	3,746,494
At 1 October 2017	3,746,494
Additions	7,429,414
Transfer from property, plant and equipment	163,187
At 31 December 2018	11,339,095
Accumulated amortisation	
At 1 October 2016	-
At 30 September 2017	-
At 1 October 2017	-
Charge for the period	4,456
At 31 December 2018	4,456
Carrying amount	
At 31 December 2018	11,334,639
At 30 September 2017	3,746,494

Included in development costs are capitalised borrowing costs of £449,424 (30 September 2017: £118,524 and 30 September 2016: £nil).

10 Trade and other receivables

	31 December 2018 £	30 September 2017 £
VAT recoverable	2,536,800	70,075
Accrued income	36,006	-
Amounts due from parent undertaking	157,449	135,849
Amounts due from fellow group undertaking	3,385,933	3,385,933
	6,116,188	3,591,857

10 Trade and other receivables (continued)

Amounts due from fellow group undertaking pertain to invoice recharges to Cobra Wind International Ltd pursuant to an Engineering, Procurement and Construction (EPC) contract.

Amount due from parent undertaking pertain to advances to Pilot Offshore Renewables Limited for cash flow purposes.

11 Cash and cash equivalents

	31 December 2018 £	30 September 2017 £
Cash at banks	9,483,414	48,892

Cash at banks earns interest at floating rates based on daily bank deposit rates.

12 Loans and borrowings

	31 December 2018 £	30 September 2017 £
Bank loans	80,038,762	-
Loans from fellow group undertakings	7,840,230	7,694,581
	87,878,992	7,694,581

Included in the above amounts are interest costs of £478,992 (2017: 127,794).

Analysis of loans and borrowings
Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	31 December 2018 £	30 September 2017 £
Current liabilities	87,878,992	-
Non-current liabilities	-	7,694,581
	87,878,992	7,694,581

12 Loans and borrowings (continued)

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Date of maturity	31 December 2018 Face value	31 December 2018 Carrying amount	30 September 2017 Face value	30 September 2017 Carrying amount
				£	£	£	£
Bank loan 1	GBP	LIBOR 3 months + 1.1%	30/06/2019	20,000,000	20,000,000	-	-
Bank loan 2	GBP	LIBOR 3 months + 2.00% or 2.90706% (from 24.12.18 to 31.03.19); LIBOR 1,3,6 months + 1.57% (from 31.03.19 to 26.10.19)	26/10/2019	60,000,000	60,038,762	-	-
Loan from fellow group undertakings	GBP	3.5% p.a.	30/09/2019	7,400,000	7,840,230	7,563,449	7,694,581
Total interest-bearing liabilities				87,400,000	87,878,992	7,563,449	7,694,581

Bank loan 1 is a £20m loan from Bankinter loan due on 30 June 2019 and is guaranteed by the Company's parent, COBRA Instalaciones y Servicos International, S.L.

Bank loan 2 is a £60m Natixis loan due on 26 October 2019. A work fee of 0.25% of the principal amount will be charged if the loan is still outstanding by 1 April 2019 (see note 23 for further details). The loan is guaranteed by the Company's parent, COBRA Instalaciones y Servicos International, S.L.

The loan from fellow group undertakings is repayable in full on 30 September 2019 and bears interest at 3.5% per annum.

Subsequent to the period end, the terms of the loans have been renegotiated, and a new loan has been granted to the Company. Further details are given at note 23.

Maturity profile

The maturity profile of loans and borrowings is as follows:

	31 December 2018	30 September 2017
	£	£
Not later than one year	87,878,992	-
Between one and five years	-	7,694,581
Total loans and borrowings outstanding	87,878,992	7,694,581

13 Liquidity

	Loans and borrowings £
Balance at 1 October 2016	-
Proceeds from loans from fellow group undertakings	7,563,449
Capitalised borrowing costs	131,132
Balance at 30 September and 1 October 2017	7,694,581
Proceeds from bank loans	80,000,000
Proceeds from loans from fellow group undertakings	904,993
Interest paid	(1,171,910)
Repayment of loans from fellow group undertakings	(1,090,244)
Interest accrued	1,541,572
Balance at 31 December 2018	87,878,992

14 Trade and other payables

	31 December 2018 £	30 September 2017 £
Trade payables	429,188	687,234
Amounts due to fellow group undertakings	274,651	-
Accruals	64,375	461,618
	768,214	1,148,852

The average credit period on purchases is 30 days. No interest is paid on trade payables over 30 days.

Amounts due to fellow group undertakings pertain to £153,600 payable to Cobra Wind International Ltd and £121,051 payable to COBRA Instalaciones y Servicos International, S.L. (see note 21 – Related party transactions).

15 Financial instruments

	31 December 2018 £	30 September 2017 £
Financial assets		
At amortised cost:		
Cash and cash equivalents	9,483,414	48,982
Trade and other receivables (excluding prepayments)	6,116,188	3,591,857
	15,599,602	3,640,749
Financial liabilities		
At amortised cost:		
Loans and borrowings	87,878,992	7,694,581
Trade and other payables (excluding taxes)	768,214	1,148,852
	88,647,206	8,843,433

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost approximate their fair values.

16 Financial risk review and management

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to provide an adequate return to shareholders;
- to support the Company's stability and growth;
- to provide capital for the purpose of strengthening the Company's risk management capability; and
- to provide capital for the purpose of further investments

The capital structure of the Company consists of debt (interest-bearing borrowings) and equity (comprising issued capital and retained earnings).

The Company is not subject to any externally imposed capital requirements.

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and to maximise equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The management regards capital as total equity and reserves, for capital management purpose.

i) Risk management framework

The Company's income is derived from the sale of electricity. Its business activities expose the Company to operational risk and financial risks such as market risk (including interest rate risk), credit risk and liquidity risk. The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. Financial assets include trade receivables, cash and short-term deposits.

16 Financial risk review and management (continued)

i) Risk management framework (continued)
The board is responsible for setting and monitoring the Company's exposure to risk and for the setting of appropriate policies, controls and parameters. The Company's objective is to have comprehensive and timely control and disclosure of risk measures and exposures. The evaluation of these risks is the responsibility of senior internal management. The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

ii) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices incorporate the following risks: interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analysis set out below relates to the positions held at 31 December 2018 and 30 September 2017 and has been prepared on the basis that the amount of the net debt, the ratio of fixed to floating interest rates and proportion of financial instruments in foreign currencies are all constant. Sensitivity analyses are based on historical data and cannot take account of the fact that future market price movements and levels of market liquidity in conditions of market stress may bear no relation to historical patterns and future market conditions could vary significantly.

iii) a) Interest rate risk
Interest rate risk is the risk that the fair value of future values of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates related primarily to the Company's bank borrowings with floating interest rates.

The value of these securities may fluctuate over time as a result of a change in interest rates. The Company is also exposed to interest rate risk on cash and short-term deposit balances held with its banking providers. The table below summarises the Company's exposure to interest rate risk on financial assets and financial liabilities by the earlier of contractual maturities or re-pricing at each measurement date set out below:

	Interest rate	Maturity date	31 December 2018	30 September 2017
Interest-bearing borrowings	LIBOR 3 months+ 1.10%; LIBOR 3 months + 2.00% LIBOR 1,3,6 months + 1.57%	30/06/2019; 26/10/2019 (see note 23 for the updated maturity dates)	80,038,762	-

The following table demonstrates the sensitivity to a reasonably possible increase in interest rates:

	Increase in basis points	Effect on profit before tax £
31 December 2018	25 basis points	200,097
30 September 2017	25 basis points	-

A decrease in interest rates would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant. Based on historic movements and volatilities, and management's knowledge and experience of the financial markets, the increases in the interest rates above are considered reasonably possible over a 12-month period.

16 Financial risk review and management (continued)

iii) b) Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no underlying assets or liabilities in foreign currency at 31 December 2018 and does not carry out any operating activities in foreign currencies.

iv) Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company and the risk that any debtors of the Company may default on amounts due to the Company. The Company has a policy of only dealing with credit worthy counterparties.

The Company does not have any trade receivables at the period end (30 September 2017). The value of amounts due from fellow group entities at 31 December 2018 is £3,543,382 (30 September 2017: £3,521,782). In both cases, the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. However, management also considers the factors that may influence the credit risk of its customer or counterparty base, including the default risk associated with the industry and country in which the customer or counterparty operates.

The Company has established a credit policy under which each new customer or counterparty is analysed individually for creditworthiness before the Company's standard payment and credit terms and conditions are offered. The Company's review includes external ratings, financial statements, credit agency information, industry information and in some cases bank references. Transaction limits are established for each customer or counterparty and regularly reviewed.

The Company allocates exposure to credit risk (and therefore expected credit losses) based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers or counterparties) and applying experienced credit judgement. Given the limited financial assets held by the Company at both 31 December 2018 and comparative dates, no impairment losses have been recognised.

The Company only transacts with counterparties that are regulated entities subject to prudential supervision. The credit risk on cash at bank is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No collateral is held by the Company in respect of unrealised gains on financial instruments.

In the event of bankruptcy or insolvency of the bank, the Company's access to its cash and short-term deposits may be delayed or limited.

At 31 December 2018

Counterparty	**Rating***	**Total exposure**
Lloyds Banking Group PLC	Aa3	3,281,332
Bankinter, S.A.	Baa1	6,202,082

At 30 September 2017

Counterparty	**Rating***	**Total exposure**
Lloyds Banking Group PLC	Aa3	48,892

* Ratings are based on Moody's long-term credit ratings for the bank.

The carrying amounts of financial assets represent the maximum credit exposure.

16 Financial risk review and management (continued)

v) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Liquidity risk arises from the repayment demands of the Company's lenders. The cash requirements of the Company are forecast by the board annually in advance until the final payment of the loan facilities. They are reviewed monthly by the management, ensuring the Company's ability to service the debt.

The Company is dependent on the loan facilities provided by Bankinter and Natixis and would suffer financial loss should the loan facilities provided by the banks be recalled unexpectedly. The Company has met all the capital and interest instalments due on the loan facility to date.

The following tables set out the maturity profile of the Company's non-derivative financial liabilities, based on undiscounted contractual cash outflows, as at the following dates:

At 31 December 2018

Liabilities	Less than 1 month £	1-3 months £	3 months - 1 year £	1-5 years £	Total £
Trade and other payables	209,024	220,061	339,129	-	768,214
Loans and borrowings	-	-	87,878,992	-	87,878,992
Total liabilities	209,024	220,061	88,218,121	-	88,647,206

At 30 September 2017

Liabilities	Less than 1 month £	1-3 months £	3 months - 1 year £	1-5 years £	Total £
Trade and other payables	6,633	639,235	502,984	-	1,148,852
Loans and borrowings	-	-	-	7,694,581	7,694,581
Total liabilities	6,633	639,235	502,984	7,694,581	8,843,433

vi) Offsetting financial assets and financial liabilities

The Company has not presented any of its financial assets and financial liabilities on a net basis and no master-netting arrangements are in place.

17 Share capital

	31 December 2018	30 September 2017
Ordinary share capital	**£**	**£**
Authorised, issued and fully paid		
100 ordinary shares of £1 each	100	100

18 Retained earnings

The retained earnings reserve reflects the aggregate of all losses recognised through the income statement and other operating income, throughout all periods up to the statement of financial position date.

19 Operating lease commitments

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2018 £	30 September 2017 £
Within one year	58,900	34,650
Between two and five years	610,100	-
More than five years	6,411,391	-
	7,080,391	34,650

20 Capital commitments

The Company continues the construction and development of its wind farm project and has entered into contracts for the engineering, procurement and construction and for the operations and maintenance of its wind farm project. The Company is committed to incur further capital expenditure of £279.32m (2017: £3.3m).

21 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Company made the following related party purchases, which were capitalised in the current period, with companies in which its directors also hold directorships:

MacAskill Associates Limited	£180,000 (2017: £90,867)
Energisation Limited	£180,000 (2017: £90,000)

All transactions with related parties are considered to be entered at arm's length and on commercial terms.

At the period end the Company owed £nil (30 September 2017: £36,867) to MacAskill Associates Limited and £36,000 (30 September 2017: £72,000) to Energisation Limited.

During the period construction services of £69,178,767 (year ended 30 September 2017: £nil) were provided to the Company by Cobra Wind International Limited, a fellow group undertaking, under the terms of the EPC (Engineering, Procurement and Construction) contract and O&M (Operations and Management) contract for the wind farm project. At the period end the Company owed £153,600 (30 September 2017: £nil) to Cobra Wind International Ltd.

21 Related party transactions (continued)

During the period the Company received loans from its parent COBRA Instalaciones y Servicos International, S.L. ("Cobra") of £904,993 (year ended 30 September 2017: £7,563,449) and repaid the loans and interest of £1,090,244 (year ended 30 September 2017: £ 150,662). Additionally, Cobra advanced the Company £121,051 (year ended 30 September 2017: £366,288) for cash flow purposes. Interest of £330,900 (year ended 30 September 2017: £131,132) was incurred on these amounts. At 31 December 2018 the amount owed to Cobra is £121,051 (included in trade and other payables on note 14) and £7,840,230 (included in loans and borrowings on note 12) (30 September 2017: £7,694,581 included in loans and borrowings on note 12).

22 Controlling party

The Company's immediate parent is Pilot Offshore Renewables Limited ("Pilot"). Pilot is controlled by COBRA Instalaciones y Servicos International, S.L. ("Cobra") which is the smallest group in which results of the Company are consolidated. On 28 of March 2019, Zero-E Currencies, S.L. ("Zero E Currencies"), an affiliated entity and 100% owned by Cobra Instalaciones y Servicios S.A., bought the shares and the rights that Cobra has in Pilot. Additionally, Cobra sold to Zero E Currencies its position in the Devex Loan Agreement with the Company.

The Company's ultimate parent is ACS, Actividades de Construccion y Servicos S.A. which is the largest group which prepares consolidated financial statements. The financial statements of ACS, Actividades de Construccion y Servicos S.A. can be obtained from: Avida, Pio XII, No. 102, 28036 Madrid, Spain or www.groupacs.com.

23 Subsequent events

In February 2019 the Company received a loan from CaixaBank of £75,000,000. The loan bears interest at 2.359% and is due on 28 December 2020.

On 31 March 2019 the date of maturity of Bank loan 1 with Bankinter was extended to 31 October 2020 (see note 12 – Loans and Borrowings).

Additionally, on 4 June 2019 the date of maturity of Bank loan 2 with Natixis was extended to 15 December 2020. A work fee of £150,000 was paid to Natixis on 1 April 2019, representing 0.25% of the principal amount of Bank loan 2 (see note 12 – Loans and Borrowings).

On 16 July 2019 "Kincardine Offshore Windfarm" was granted accreditation under the Renewables Obligation (Scotland) Order 2009 and Renewable Energy Guarantees of Origin (REGO) schemes effective from 27 September 2018.