

GLID Wind Farms Topco Ltd

Annual Report and Financial Statements
for the year ended 31 December 2019

MONDAY



A978JUFS

A12

15/06/2020

#260

COMPANIES HOUSE

Contents

	Page (s)
Strategic Report	2-3
Directors' Report	4-6
Independent Auditor's Report	7-9
Consolidated Income Statement	10
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	12
Consolidated and Company Statements of Changes in Equity	13-14
Consolidated and Company Statements of Cash Flows	15-16
Notes to the Financial Statements	17-40

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report of GLID Wind Farms TopCo Limited (the company) and for the Group (comprising GLID Wind Farms Topco Limited plus fully owned subsidiaries Lynn Wind Farm Limited and Inner Dowsing Wind Farm limited) for the year ended 31 December 2019.

Review of the business

The GLID Wind Farms TopCo's Group ("the Group") financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The subsidiary companies, Lynn Wind Farm Limited and Inner Dowsing Wind Farm Limited, have operated satisfactorily during the year. Revenue was above plan due to a higher than forecast return on embedded benefits.

Principal risks and uncertainties

The GLID Wind Farms TopCo Group's principal risk which is a known feature of wind farms is revenue uncertainty. Revenue is dependent on wind speeds and the related power curve which together impact the potential revenue of the wind farms. The availability is driven by the technical performance of the wind turbines and ancillary equipment, and the physical access to the wind farms. The power generated is sold under power purchase agreements and the power price was dependent on market pricing subject to a cap and floor in respect of 75% of the generation. ROCs are awarded based on production and have an annual price published by OFGEM which is indexed from 1 April each year. Revenue uncertainty impacts the Group's cash flow and as such the ability to make loan repayments and to make distributions when appropriate.

The Directors have considered the nature and extent of risks and uncertainties arising from the result of the brexit referendum and the impact on the future performance and position of the business. The directors are reassured that there should be little or no impact and the risks are considered to be low.

Going concern has been reviewed in light of the corona virus epidemic. The situation is not expected to impact on our contractual positions under the PPA contracts.

Key performance indicators (KPIs)

The Directors formally convene regular board meetings. The board meetings' standing agenda items provide a review of key performance metrics covering health, safety and the environment, operations and maintenance activity and financial performance.

The key driver of financial performance is revenue. Revenue has reduced by 6.6% (2019: £72,539,000) from prior year (2018: £77,684,000) which has resulted in a reduced financial performance in 2019. This decrease is primarily due to a combination of low power prices and a change in the PPA, mitigated by improved embedded benefits. Availability has continued to increase.

To create the maximum renewable energy the group monitors the effectiveness of the wind farms on a regular basis and endeavours to achieve a high level of performance.

Strategic Report for the Year Ended 31 December 2019 (continued)

Financial position

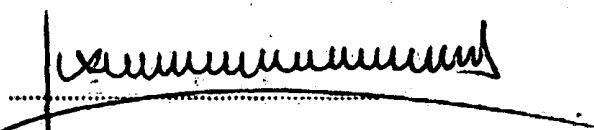
The financial position of the Group and Company are presented in the Statement of Financial Position on pages 11 and 12. Total shareholders' funds for the Group at 31 December 2019 was £4,609,000 (2018: £1,003,000) and for the Company were £6,879,000 (2018: £18,824,000).

Future developments

Commercial generation is expected to continue from the two subsidiary wind farms for the foreseeable future. Decisions will be made towards the end of the wind farm's useful economic life, around 2033, to decide if the assets will be decommissioned or a repowering of the site will be undertaken.

There are no further plans to change the nature of activities in the foreseeable future.

Approved by the Board on 25 March 2020 and signed by order of the board.



Alexis Ulens

Director

Company registered in England and Wales, No. 06707821

Registered office:

Grimsby Renewables Operations Base
North Quay
Grimsby
NE Lincolnshire
DN31 3SY

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the audited consolidated Financial Statements for the year ended 31 December 2019.

Directors of the Company

The directors who were in office during the year and up to the date of signing the financial statements were:

P Raftery
K Smith
A Ulens
K Mangan

Principal activity

The principal activity of the Company and its subsidiaries ("the Group") is the operation of the Lynn and Inner Dowsing wind farms for the year.

Results and Dividends

The results of the Group are set out on page 10. The consolidated profit for the financial year was £13,106,000 (2018: £14,325,000). The consolidated profit on ordinary activities before income tax for the year was £17,139,000 (2018: £18,499,000). The consolidated operating profit for the financial year was £33,376,000 (2018: £38,391,000). Dividends of £9,000,000 were paid during the year (2018: £11,500,000), the Directors propose a final dividend of £5,500,000 for the year ended 31 December 2019 (2018: £7,000,000). There were £500,000 of dividends declared and unpaid and included in other creditors as at 31 December 2019 (2018: £4,500,000). The company's distributable reserves as at 31 December 2019 were £6,379,000 (2018: £18,324,000).

Financial instruments

Objectives and policies

The Directors have established objectives and policies for managing financial risks to enable the Group to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Group's business.

Interest Rate & Currency Risk

The Group has no significant exposure to currency risk. The Group's transactions and balances are denominated in sterling. The Group loans are at a fixed interest rate. In respect of decommissioning an increase in the interest rate will result in an increase to the discount rate applied to decommissioning in the future.

Price Risk

Price risk is based on power prices and ROC prices. To mitigate electricity price risk, the Group has entered into power purchase agreements ("PPAs") with British Gas Trading Limited to sell power until September 2024, with the power prices based on market prices subject to a cap and floor in respect of 75% of generation. ROC prices are set annually by OFGEM.

Credit Risk

Counterparty credit exposures are monitored by individual counterparty. Credit risk is limited to exposures with British Gas Trading Limited, and Npower Limited, both of which are on long term agreements. There is a Parent Company Guarantee in place in respect of the Npower Agreement.

Directors' Report for the Year Ended 31 December 2019 (continued)

Liquidity & Cash Flow Risk

In order to review available liquidity, cash forecasts for the Group are produced and reviewed regularly. Low generation due to low wind or low availability affect both revenue and cash flow. In order to generate the maximum renewable energy, the Group monitors the performance of the wind farms on a regular basis and endeavours to achieve a high level of availability. From April 2017 GLID entered into a service and maintenance agreement (SMA) with Siemens Wind Power Limited. The SMA provides warranties on the availability yield and provides fixed price servicing costs.

Future developments

Future developments are discussed in the Strategic Report on page 2 to 3.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 4 to 6. In addition, notes 2, 26 and 27 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The company has considerable financial resources together with long term PPAs and contracts. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' liabilities

GLID Wind Farms TopCo Limited is jointly controlled and the Directors of the Company are nominated by the joint venture partners. The Directors are covered by their respective ultimate parent company's directors' and officers' liability insurance. The insurances do not provide cover in the event that the Director is proved to have acted fraudulently or unlawfully.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Statement of Directors' Responsibilities in respect of the financial statements

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group and company financial statements, subject to any material departures disclosed and explained in the financial statements;

Directors' Report for the Year Ended 31 December 2019 (continued)

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

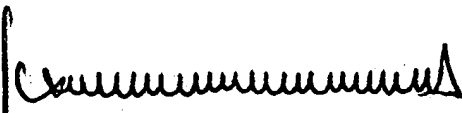
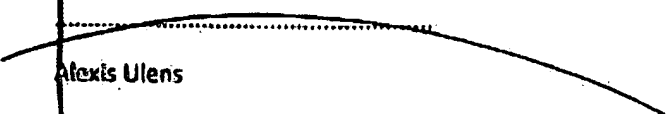
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditor are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditor is aware of that information.

Independent auditors

Grant Thornton UK LLP, having expressed its willingness to continue in office, will be proposed for reappointment for the next financial year in accordance with section 489 of the Companies Act 2006.

The Directors' report was approved by the Board on 25 March 2020.

Alexis Ulens
Director

Company registered in England and Wales, No. 06707821

Registered office:

Grimsby Renewables Operations Base
North Quay
Grimsby
NE Lincolnshire
DN31 3SY

Independent Auditor's Report to the Members of GLID Wind Farms TopCo Limited

Report on the financial statements

Opinion

We have audited the financial statements of GLID Wind Farms Topco Limited (the 'parent company') and its subsidiaries (together the 'Group') for the year ended 31 December 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Group financial statements 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 group and the parent 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Independent Auditor's Report to the Members of GLID Wind Farms TopCo Limited (continued)

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 group's or the parent 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

Matter on which we are required to report under the Companies Act 2006

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

Independent Auditor's Report to the Members of GLID Wind Farms TopCo Limited (continued)

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 5 and 6, 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 Group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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.



Mark Overfield BSc FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

1 Whitehall Riverside, Leeds, LS1 4BN

25 March 2020

Consolidated Income Statement for the Year Ended 31 December 2019

		2019	2018
	Note	£000	£000
Continuing operations			
Revenue	5	72,539	77,684
Cost of Sales		<u>(30,681)</u>	<u>(30,414)</u>
Gross profit		41,858	47,270
Administrative expenses		<u>(8,482)</u>	<u>(8,879)</u>
Operating profit	6	33,376	38,391
Finance cost	8	<u>(16,237)</u>	<u>(19,892)</u>
Profit before income tax		17,139	18,499
Income tax charge	11	<u>(4,033)</u>	<u>(4,174)</u>
Profit for the financial year from continuing operations*		<u>13,106</u>	<u>14,325</u>

* All attributable to the equity holders of the parent


Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019	2018
	£ 000	£ 000
Profit for the financial year	<u>13,106</u>	<u>14,325</u>
Total comprehensive income for the year	<u>13,106</u>	<u>14,325</u>

Consolidated Statement of Financial Position as at 31 December 2019

		Group 2019	Group 2018
	Note	£ 000	£ 000
Non-current assets			
Property, plant and equipment	12	<u>251,709</u>	<u>259,494</u>
Total non-current assets		<u>251,709</u>	<u>259,494</u>
Current assets			
Trade and other receivables	14	20,511	18,005
Inventories	15	20	20
Cash and cash equivalents		<u>4,459</u>	<u>7,386</u>
Total current assets		<u>24,990</u>	<u>25,411</u>
Total assets		<u>276,699</u>	<u>284,905</u>
Non-current liabilities			
Deferred tax liabilities	17	(17,185)	(17,110)
Long term finance liabilities	18	(9,608)	-
Provisions for other liabilities and charges	20	(15,032)	(14,264)
Borrowings	21	<u>(212,726)</u>	<u>(222,482)</u>
Total non-current liabilities		<u>(254,551)</u>	<u>(253,856)</u>
Current liabilities			
Short term finance liabilities	18	(327)	-
Borrowings	21	(12,136)	(20,000)
Trade and other payables	16	<u>(5,076)</u>	<u>(10,046)</u>
Total current liabilities		<u>(17,539)</u>	<u>(30,046)</u>
Total liabilities		<u>(272,090)</u>	<u>(283,902)</u>
Net assets		<u>4,609</u>	<u>1,003</u>
Equity			
Called up share capital	22	500	500
Retained earnings	23	<u>4,109</u>	<u>503</u>
Total shareholder surplus		<u>4,609</u>	<u>1,003</u>

The financial statements on pages 10 to 40 were approved and authorised for issue by the Board of Directors on 25 March 2020 and signed on its behalf by:

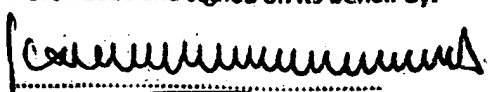

 Alexis Ulens
 Director
 Company number 06707821

Company Statement of Financial Position as at 31 December 2019

		Company 2019	Company 2018
	Note	£ 000	£ 000
Non-current assets			
Property, plant and equipment	12	7,082	4,171
Investments	13	95,996	95,996
Total non-current assets		103,078	100,167
Current assets			
Trade and other receivables	14	127,892	164,985
Inventories	15	20	20
Cash and cash equivalents		4,459	782
Total current assets		132,371	165,787
Total assets		235,449	265,954
Non-current liabilities			
Long term finance liabilities	18	(3,025)	-
Borrowings	21	(212,726)	(222,482)
Total non-current liabilities		(215,751)	(222,482)
Current liabilities			
Short term finance liabilities	18	(94)	-
Borrowings	21	(12,136)	(20,000)
Trade and other payables	16	(589)	(4,648)
Total current liabilities		(12,819)	(24,648)
Total liabilities		(228,570)	(247,130)
Net assets		6,879	18,824
Equity			
Called up share capital	22	500	500
Retained earnings	23	6,379	18,324
Total shareholder surplus		6,879	18,824

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company Income Statement. The loss for the parent company for the year was £2,445,000 (2018: Profit £20,730,000).

The financial statements on pages 10 to 40 were approved and authorised for issue by the Board of Directors on 25 March 2020 and signed on its behalf by:


Alex's Ulens
Director
Company number 06707821

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
Balance as at 1 January 2018	500	(98,908)	(626)	(99,034)
Profit for the year	-	-	14,324	14,324
Other comprehensive income	-	-	-	-
Transfer in relation to share liability*	-	101,713	-	101,713
Interest transfer in relation to share liability*	-	(2,805)	2,805	-
Total comprehensive income	-	98,908	17,129	116,037
Dividends	-	-	(16,000)	(16,000)
Total transactions with owners	-	-	(16,000)	(16,000)
Balance as at 31 December 2018	500	-	503	1,003

* Net transfer of dividends paid and finance cost on the shares liability to ensure the affected reserve accounts are appropriately stated as at the year end.

As a result of the distribution policy in place up until 25 April 2018, the Company had a contractual obligation to distribute free cash flow to its shareholders. The liability recorded was based upon the estimated net present value of all expected future payments to its shareholders and is remeasured at each balance sheet date. The amount and timing of future anticipated free cash flows is uncertain and dependent upon performance of the business, directors' approval as well as external factors such as energy prices and therefore future actual distributions are likely to differ in practice. The discount factor used to calculate the net present value is also subject to estimation.

The distribution policy was updated in April 2018 to remove the contractual obligation to distribute free cash flow and subsequently derecognised the shares liability.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance as at 1 January 2019	500	503	1,003
Profit for the year	-	13,106	13,106
Total comprehensive income	-	13,106	13,106
Dividends	-	(9,500)	(9,500)
Total transactions with owners	-	(9,500)	(9,500)
Balance as at 31 December 2019	500	4,109	4,609

Company Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital	Other reserves	Retained earnings	Total
	£ 000	£ 000	£ 000	£ 000
Balance as at 1 January 2018	500	(98,908)	10,789	(87,619)
Profit for the year	-	-	20,730	20,730
Transfer in relation to share liability*	-	101,713		101,713
Interest transfer in relation to share liability*	-	(2,805)	2,805	-
Total comprehensive income	-	98,908	23,535	122,443
Dividends	-	-	(16,000)	(16,000)
Total transactions with owners	-	-	(16,000)	(16,000)
Balance as at 31 December 2018	500	-	18,324	18,824

* Net transfer of dividends paid and finance cost on the shares liability to ensure the affected reserve accounts are appropriately stated as at the year end.

As a result of the distribution policy in place up until 25 April 2018, the Company had a contractual obligation to distribute free cash flow to its shareholders. The liability recorded was based upon the estimated net present value of all expected future payments to its shareholders and is remeasured at each balance sheet date. The amount and timing of future anticipated free cash flows is uncertain and dependent upon performance of the business, directors' approval as well as external factors such as energy prices and therefore future actual distributions are likely to differ in practice. The discount factor used to calculate the net present value is also subject to estimation.

The distribution policy was updated in April 2018 to remove the contractual obligation to distribute free cash flow and subsequently derecognised the shares liability.

Company Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital	Retained earnings	Total
	£ 000	£ 000	£ 000
Balance as at 1 January 2019	500	18,324	18,824
Loss for the year	-	(2,445)	(2,445)
Total comprehensive income	-	(2,445)	(2,445)
Dividends	-	(9,500)	(9,500)
Total transactions with owners	-	(9,500)	(9,500)
Balance as at 31 December 2019	500	6,379	6,879

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

		2019	2018
	Note	£ 000	£ 000
Cash flows from operating activities			
Profit for the year		13,106	14,325
Adjustments for:			
Depreciation	12	18,364	17,884
Finance costs	8	16,237	19,892
Income tax charge	11	4,033	4,174
Operating cash flows before movements in working capital		51,740	56,275
Changes in working capital			
(Increase)/decrease in inventories	15	-	(20)
(Increase)/decrease in trade and other receivables	14	(2,509)	2,937
Decrease in trade and other trade payables	16	(5,547)	(1,099)
Net cash flow generated from operating activities		43,684	58,093
Cash flows from financing activities			
Interest paid		(15,137)	(16,543)
Repayment of borrowings		(17,000)	(27,159)
Dividends paid to owners		(13,500)	(11,500)
Repayment of leasing liabilities		(974)	-
Net cash flows used in financing activities		(46,611)	(55,202)
Net (decrease)/increase in cash and cash equivalents		(2,927)	2,891
Cash and cash equivalents at 1 January		7,386	4,495
Cash and cash equivalents at 31 December		4,459	7,386

Company Statement of Cash Flows for the Year Ended 31 December 2019

		2019	2018
	Note	£ 000	£ 000
Cash flows from operating activities			
(Loss)/profit for the year		(2,445)	20,730
Adjustments for:			
Depreciation	12	325	99
Dividend income		-	(25,000)
Finance income		(13,158)	(14,907)
Finance costs		15,310	19,291
Operating cash flows before movements in working capital		32	213
Changes in working capital			
Increase in inventories	15	-	(20)
Decrease in trade and other receivables	14	37,093	13,101
Decrease in trade and other trade payables	16	(678)	(365)
Net cash flow generated from operating activities		36,447	12,929
Cash flows from investing activities			
Interest received		13,158	14,906
Dividends received		-	25,000
Net cash flows from investing activities		13,158	39,906
Cash flows from financing activities			
Interest paid		(15,100)	(16,486)
Repayment of borrowings		(17,000)	(27,157)
Dividends paid to owners		(13,500)	(11,500)
Repayment of leasing liabilities		(328)	-
Net cash flows used in financing activities		(45,928)	(55,143)
Net increase/(decrease) in cash and cash equivalents		3,677	(2,308)
Cash and cash equivalents at 1 January		782	3,090
Cash and cash equivalents at 31 December		4,459	782

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

GLID Wind Farms TopCo Limited (the 'Company') is a company limited by shares and incorporated and domiciled in England and Wales.

The address of its registered office and principal place of business is:

Grimsby Renewables Operations Base

North Quay

Grimsby

NE Lincolnshire

DN31 3SY

The principal activity of the Group and Company is the operation of the Lynn and Inner Dowsing wind farms.

2 Accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the European Union ("adopted IFRSs").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. Each company in the Group has adopted the same accounting policies and they are applied uniformly across the Group. The financial statements of each company in the Group have been prepared to 31 December 2019. All intra-group transactions and profits are eliminated in full on consolidation.

Basis of preparation

The Group's financial statements have been prepared in accordance with International Accounting Standards and in accordance with International Financial Reporting Standards and its interpretations adopted by the European Union ("adopted IFRSs").

These financial statements are presented in pound sterling (with all values rounded to the nearest thousand pounds except when otherwise indicated), which is also the functional currency of the Group. Transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

The financial statements are prepared on the historical cost basis except for derivative financial instruments and financial instruments designated at fair value through profit and loss on initial recognition. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 4 to 6. In addition, notes 2, 26 and 27 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The company has considerable financial resources together with long term PPAs and contracts. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Changes in accounting policy

New standards, amendments and interpretations adopted

The following standards, amendments to standards and interpretations, which are effective for annual periods beginning after 1 January 2019, have not been applied in these financial statements and may have an effect on the Group's financial statements in future:

IFRS 16 'Leases' was issued in January 2016 and is effective from 1 January 2019. IFRS 16 'Leases' has an effect on the Group's financial statements. IFRS 16, with certain exceptions, requires the Group, as a lessee, to recognise right of use assets and lease liabilities for all leases. There is no longer a distinction between operating and finance leases for lessees. The definition of a lease has also been modified which may change those contracts the Group accounts for as leases.

Revenue recognition

Revenue relates to the sale of generated power and the associated Renewables Obligation Certificates ("ROCs") including Recycling Benefit. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised on the basis of power supplied during the period, together with associated ROCs, except that the ROC Recycling Benefit and Triad Revenue is recognised once the value of the benefit is declared and highly unlikely to reverse. Revenue which has not been billed at the reporting date is included as accrued income.

Cost of sales

Cost of sales includes the depreciation of assets and operations and maintenance costs.

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Leased Assets

As described in note 3, the Group has applied IFRS16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS17 and IFRIC4. For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Taxation

Current tax, being 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 balance sheet date. Tax is recognised in the Income Statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment ("PP&E")

PP&E is stated in the Statement of Financial Position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of PP&E includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and Machinery:	Straight line, between 8 to 25 years
Decommissioning asset:	Straight line, 25 years

Impairment

The carrying values of PP&E are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is immediately reduced to its recoverable amount. The carrying values of PP&E are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Inventories

Inventories are stated at the lower of cost incurred in bringing each item to its present location and condition and net realisable value. Provision is made where necessary for obsolete, slow-moving and defective inventories. Cost is determined on a FIFO (first in, first out) basis.

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Provisions

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

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning the wind farms at the end of their useful lives, based on price levels and technology at the balance sheet date.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the Income Statement within interest expense.

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Group no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

Trade and other receivables

Trade receivables are amounts due from customers for power sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Equity, reserves and dividend payments

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The group's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the group's ordinary shares are recognised directly in equity. Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits.

Interest-bearing loans and other borrowings

All interest-bearing (and interest free) loans and other borrowings with banks or similar institutions and 'intercompany entities' are initially recognised at fair value net of directly attributable transaction costs (if any, in respect of 'intercompany funding'). After initial recognition, these financial instruments are measured at amortised cost using the 'Effective Interest Rate' method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Consolidated Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

3 New Accounting Standards

The Company has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated. For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

Notes to the Financial Statements for the Year Ended 31 December 2019

3 New Accounting Standards (continued)

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.5%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	Gross carrying amount at 31 December 2018 £ 000	Remeasure- ment £ 000	IFRS 16 carrying amount at 1 January 2019 £ 000
Property, plant and equipment	518,918	10,243	529,161
Lease liabilities	-	(10,243)	(10,243)
Total	518,918	-	518,918

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	£ 000	£ 000
Total operating lease commitments disclosed at 31 December 2018*		20,935
Recognition exemptions:		
Variable lease payments not recognised		(4,199)
Operating lease liabilities before discounting		16,736
Discounting using incremental borrowing rate		(6,493)
Total lease liabilities recognised under IFRS 16 at 1 January 2019		10,243

*Adjusted from £9,953,000. Prior year disclosure did not include inflation or pontoon.

Notes to the Financial Statements for the Year Ended 31 December 2019

4 Critical accounting judgements and key sources of estimation uncertainty

Useful lives of PP&E

Depreciation is charged so as to write off the costs of the assets over their estimated useful lives. The expected useful lives of the assets are anticipated to be 25 years, should the expected lives change then this will affect the annual depreciation charge. In 2016 the Group sought technical advice which determined that with appropriate maintenance of the wind farm asset the total useful economic life of the asset (from first commissioning) could be 25 years. Subsequently in the year ended 31 December 2016 the Group has changed the UEL from 20 years to a maximum of 25 years for plant, machinery and decommissioning assets, reducing Group depreciation by £6.8m per annum.

Impairment of PP&E

The Group's wind farm assets comprise various property, plant and equipment. The Group makes judgements and estimates in considering whether the carrying amounts of these assets are recoverable. Should the recoverable amounts be less than the current carrying values then an impairment charge is made to reduce the assets down to their net recoverable amounts. There are no indicators that PPE is impaired based on performance during the year and post year end.

Decommissioning costs

The estimated cost of decommissioning at the end of the wind farm's life is reviewed periodically and is based on price levels and technology at the balance sheet date. The uninflated discounted cost of decommissioning is as per the latest (2019) independent decommissioning report which was commissioned by the Group for use by the Crown Estate. The main assumptions used are based on leaving the cables in situ. The report is updated every 5 years with the next review expected by the end of 2023. Management have used the report as a basis for the provision and reassessed the assumptions and judgements and consider them still to be appropriate for the estimated cost of decommissioning at the balance sheet date. The fundamental cost drivers are largely unchanged, and a review of the reports proposed decommissioning process delivered a view that this was also the most efficient process as of the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be 2033. Due to changes in relation to these items the future actual cash outflows in relation to decommissioning are likely to differ in practice. In determining the provision, the cash flows have been discounted on a pre-tax basis using an annual risk-free interest rate of 3.2% (2018: 3.15%). The assumed rate of inflation is 2.5% (2018: 2.5%).

'Right to cancel' option for leases

When the entity has the right to cancel a lease, management uses its judgement to determine whether or not the right would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if the right to cancel is not taken, to help them determine the lease term. Management believe it is reasonably certain that the right to cancel the lease will be exercised at the end of the useful life of the wind farm.

5 Revenue

All turnover relates to the principal activity of the business and occurs wholly in the United Kingdom. The analysis of the Group's revenue for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Sale of generated electricity and associated environmental credits	<u>72,539</u>	<u>77,684</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

6 Operating Profit

	2019 £ 000	2018 £ 000
Operating profit is stated after charging:		
Depreciation of tangible assets (note 12)	17,668	17,883
Depreciation of right-of-use assets (note 12)	694	-
Operating lease payments	<u>230</u>	<u>826</u>

7 Employees' costs

The Group and the Company had no employees and therefore no staff costs (2018: £nil).

8 Net Finance costs

	2019 £ 000	2018 £ 000
Finance costs		
Interest on shareholder loans	15,068	16,404
Interest expense for leasing arrangements	666	-
Equity interest charge	-	2,805
Interest on bank overdrafts and borrowings	69	139
Unwinding of discount on decommissioning provision	<u>434</u>	<u>544</u>
Total finance costs	<u>16,237</u>	<u>19,892</u>

9 Directors' remuneration

The aggregate emoluments paid to directors in respect of their qualifying services is £nil (2018: £nil). GLID Wind Farms TopCo Limited is a jointly controlled entity and the Directors are nominated by the joint venturers in respect of services to the companies and all remuneration is paid by other group companies of the joint venturers. Accordingly, no emoluments are paid for their services to the Group and the Company.

10 Auditor's remuneration

Auditor's remuneration was £41,000 and relates to the audit of the Financial Statements, of which £17,000 relates to the audit of the Company and £24,000 relates to the audit of the subsidiaries (2018: £39,500, of which £18,000 relates to the audit of the Company and £21,500 relates to the audit of the subsidiaries). Non-audit fees during the year amounted to £12,000 tax compliance and £2,000 advisory (2018, non-audit fees: £24,800).

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Income tax

Tax charged in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax at 19% (2018: 19%)	3,958	4,106
Adjustments in respect of prior years	-	(110)
	<u>3,958</u>	<u>3,996</u>
Deferred taxation		
Current year - Origination and reversal of timing differences	75	178
Tax on profit on ordinary activities	<u>4,033</u>	<u>4,174</u>
Provision for deferred tax		
<i>Movement in provision:</i>		
Provision at start of period	17,110	16,932
Deferred tax charged in the income statement in the period	75	178
Provision at end of period	<u>17,185</u>	<u>17,110</u>

Tax expense for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 at 19% (2018: 19%). The differences are explained below:

	2019 £ 000	2018 £ 000
Reconciliation of tax charge		
Profit before tax on continuing operations	17,139	18,498
Profit multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	3,256	3,515
Effects of:		
Fixed asset differences	104	145
Expenses not deductible	733	1,266
Change in UK tax rates	(8)	(69)
Movement in decommissioning asset	(52)	(84)
Adjustments in respect of prior years	-	(110)
Amounts not recognised	-	(22)
Reactivation of deferred interest	-	(83)
Recognition of deferred tax asset on deferred interest	-	(384)
Income tax charge	<u>4,033</u>	<u>4,174</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

12 Property, plant and equipment

	Plant and machinery £ 000	Decommissioning asset £ 000	Total £ 000
Cost			
At 1 January 2019	518,918	10,273	529,191
Adjustment on transition to IFRS 16	10,243	-	10,243
Revisions (Note 18)	-	334	334
At 31 December 2019	529,161	10,607	539,768
Accumulated Depreciation			
At 1 January 2019	263,414	6,283	269,697
Charge for the year	18,086	276	18,362
At 31 December 2019	281,500	6,559	288,059
Carrying amount			
At 31 December 2019	247,661	4,048	251,709
At 31 December 2018	255,504	3,990	259,494
Included in the above line items are right-of-use assets over the following:-			
Plant and Machinery - Seabed, Pontoon, Fork Lift Truck			9,548

The company has the following property, plant and equipment:

	Plant and machinery £ 000	Total £ 000
Cost		
At 1 January 2019	4,344	4,344
Adjustment on transition to IFRS 16	3,236	3,236
At 31 December 2019	7,580	7,580
Accumulated Depreciation		
At 1 January 2019	173	173
Charge for the year	325	325
At 31 December 2019	498	498
Carrying amount		
At 31 December 2019	7,082	7,082
At 31 December 2018	4,171	4,171
Included in the above line items are right-of-use assets over the following:-		
Land and Buildings - Pontoon & Fork Lift Truck		3,009

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Investments in subsidiaries

The Company had the following investments in subsidiaries;

Subsidiaries	£ 000
Cost	
At 31 December 2018 and 1 January 2019	179,310
At 31 December 2019	179,310
Provision	
At 31 December 2018 and 1 January 2019	83,314
At 31 December 2019	83,314
Carrying amount	
At 31 December 2018 and 1 January 2019	95,996
At 31 December 2019	95,996

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

At 31 December 2018, the Company held interests in the issued share capital of the following undertakings, both of which have been consolidated in these financial statements:

Name of subsidiary	Principal activity	Class of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
				2019	2018
Lynn Wind Farm Limited*	Operation of an offshore wind farm	Ordinary	United Kingdom	100%	100%
Inner Dowsing Wind Farm Limited*	Operation of an offshore wind farm	Ordinary	United Kingdom	100%	100%

* indicates direct investment of GLID Wind Farms TopCo Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

14 Trade and other receivables

	Group	Group	Company	Company
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Financial assets:				
Trade receivables	4,778	2,025	-	-
Accrued income	14,814	15,847	-	-
Value added tax	-	-	1,006	2,089
Other receivables	3	83	3	83
Amounts owed by group undertakings	-	-	126,883	162,813
	<u>19,595</u>	<u>17,955</u>	<u>127,892</u>	<u>164,985</u>
Non-financial assets:				
Prepayment	916	50	-	-
	<u>20,511</u>	<u>18,005</u>	<u>127,892</u>	<u>164,985</u>

Part of the accrued income balance at 31 December 2019 was subject to the terms of the Power Purchase Agreement (note 25).

The remaining amounts owed by Group undertakings to the company are repayable on demand and may be repaid at any time without penalty. The rate of interest is 9% per annum.

15 Inventories

	Group	Group	Company	Company
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Raw materials and consumables	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>

The write-up of stocks and consumables in the year amounted to £nil (2018 £nil). Stock and consumables expensed to the Income Statement amounted to £nil (2018: £nil). Stock of £nil was sold during the year.

16 Trade and other payables

	Group	Group	Company	Company
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Trade payables	60	122	60	122
Accrued expenses	1,426	5,323	529	4,526
Corporation tax	1,941	2,060	-	-
VAT creditor	1,649	2,541	-	-
	<u>5,076</u>	<u>10,046</u>	<u>589</u>	<u>4,648</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

17 Deferred tax liabilities

The movements in respect of the deferred income tax assets and liabilities for the Group that occurred during the financial year are as follows:

	Group 2019 £ 000	Group 2018 £ 000
At 1 January	17,110	16,932
Charged to the income statement	75	178
At 31 December	17,185	17,110
		31
	31 December 2019	December 2018
Deferred corporation tax		
Fixed Assets	17,185	19,241
Temporary differences	-	(2,131)
	17,185	17,110

A deferred tax asset was recognised based on the expected recovery in future years following the usual business model for a project-financed wind farm, with cash generated from operations used to repay interest and loans and hence successively reduce future financing costs.

18 Lease Liabilities

	Group 2019 £ 000	Group 2018 £ 000	Company 2019 £ 000	Company 2018 £ 000
Long-term lease liabilities				
Seabed (group only), pontoon and fork lift truck	(9,608)	-	(3,025)	-
Short-term lease liabilities				
Seabed (group only), pontoon and fork lift truck	(327)	-	(94)	-
	(9,935)	-	(3,119)	-

Notes to the Financial Statements for the Year Ended 31 December 2019

19 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long term borrowings £ 000	Short term borrowings £ 000	Lease liabilities £ 000	Total £ 000
1 January 2019	222,482	20,000	0	242,482
Adoption of IFRS 16	-	-	10,243	10,243
Revised 1 January 2019	222,482	20,000	10,243	252,725
Cashflows:				
Repayment		(17,000)	(974)	(17,974)
Non cash:				
Movement on accrued interest		(620)	-	(620)
Interest			666	666
Reclassification	(9,756)	9,756		-
31 December 2019	212,726	12,136	9,935	234,797

20 Other provisions

	Group 2019 £ 000	Group 2018 £ 000	Company 2019 £ 000	Company 2018 £ 000
Decommissioning provision				
At 1 January	14,264	16,834	-	-
Revisions	334	(3,113)	-	-
Unwind of discounting	434	543	-	-
	<u>15,032</u>	<u>14,264</u>	<u>-</u>	<u>-</u>

Decommissioning provision

The decommissioning provision represents the future expected costs of decommissioning the Group's wind farms at the end of their useful economic lives, discounted to the present value. The payment date of the total expected future decommissioning costs is uncertain but is currently anticipated to be 2033. The uninflated discounted cost of decommissioning per the latest (2019) report is £15,745,000 (2017: £17,552,000) and is based on a probabilistic model which leaves the cables in situ. Due to changes in relation to these items the future actual cash outflows in relation to decommissioning are likely to differ in practice. The above provision relates solely to assets held as at the date of these financial statements. In determining the provision, the cash flows have been discounted on a pre-tax basis using an annual risk-free interest rate of 3.2% (2018: 3.15%). The assumed rate of inflation is 2.5% (2018: 2.5%).

Notes to the Financial Statements for the Year Ended 31 December 2019

21 Borrowings

	Group 2019	Group 2018	Company 2019	Company 2018
	£ 000	£ 000	£ 000	£ 000
Shareholder loans	12,136	20,000	12,136	20,000
	12,136	20,000	12,136	20,000
	Group 2019	Group 2018	Company 2019	Company 2018
	£ 000	£ 000	£ 000	£ 000
Shareholder loans	212,726	222,482	212,726	222,482
	212,726	222,482	212,726	222,482
	Group 2019	Group 2018	Company 2019	Company 2018
	£ 000	£ 000	£ 000	£ 000
Maturity of Shareholder loans				
Within one year	12,136	20,000	12,136	20,000
In more than one year, but not more than two years	16,046	18,281	16,046	18,281
In more than two years, but not more than five years	58,165	70,199	58,165	70,199
In more than five years	138,515	134,002	138,515	134,002
	224,862	242,482	224,862	242,482

The shareholder loans consist of three debenture loan notes issued to the current parent undertakings in the form of parent loans with £136,613,000 to UK Green Investment LID Limited (2018: £147,318,000), £77,070,000 to RI Income UK Holdings Limited (2018: £83,110,000) and £11,178,000 to RI EU Holdings (UK) Limited (2018: £12,054,000). The notes bear interest on their outstanding principal amount at a rate of 6.5% per annum. The notes are due to be repaid in full on 30 September 2029. Total interest of £240,000 has accrued on these loan notes at 31 December 2019 (2018: £861,000).

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in note 25.

Notes to the Financial Statements for the Year Ended 31 December 2019

22 Share capital

Allotted, called up and fully paid shares

	2019 No. 000	2019 £ 000	2018 No. 000	2018 £ 000
Ordinary A shares of £1 each	304	304	304	304
Ordinary B shares of £1 each	196	196	196	196
	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>

Ordinary A and B shares entitle the holders to participate in dividends and capital distributions, including on a winding up in proportion to the number and amounts paid on the shares held.

On a written resolution or on a show of hands the holders of the 'A' shares have, in aggregate, one vote and the holders of the 'B' share have, in aggregate one vote in either case irrespective of the number of shares held by them and irrespective of relevant proportions.

23 Reserves

Called-up share capital - represents the nominal value of the shares that have been issued

Retained earnings - includes all current and prior period retained profits and losses

24

Other commitments and contingencies

Capital commitments

The total amount contracted for but not provided in the financial statements was £nil (2018: £nil).

25 Fair value of financial instruments held at amortised cost

The Group and Company's financial assets and liabilities measured at amortised cost comprise trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings. Due to their short term maturity (excluding shareholder loans), the fair values of financial assets and liabilities measured at amortised cost are estimated to approximate their carrying values. Regarding shareholder loans there are few similar assets that exist. The directors, after considering bond rate movements and changes in risk profile of the group, believe that the rate at inception remains similar to that which they might expect to obtain as at the balance sheet date, and so they believe that their carrying value approximates to their fair value. An increase/decrease of 1% in that rate would change that fair value by approximately £10m.

Loans and receivables credit risk exposure

	2019 £ 000	2018 £ 000
AAA to BBB-	<u>19,595</u>	<u>17,955</u>

Cash and cash equivalents credit risk exposure

	2019 £ 000	2018 £ 000
AAA to BBB-	<u>4,459</u>	<u>7,386</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

26 Financial risk management and impairment of financial assets

The Group's normal operating, investing and financing activities expose it to a variety of financial risks: credit risk, market risk (including price risk, interest rate risk and currency risk) and liquidity risk. The Group's overall financial risk management approach aims to identify, manage and mitigate these risks.

On 7 March 2016 three loan notes were issued to the current parent undertakings in the form of parent loans. At 31 December 2019, the amounts outstanding were £136,613,000 to UK Green Investment LID Limited (2018: £147,318,000), £77,070,000 to RI Income UK Holdings Limited (2018: £83,110,000) and £11,178,000 to RI EU Holdings (UK) Limited (2018: £12,054,000). The notes bear interest on their outstanding principal amount at a rate of 6.5% per annum. The notes and interest are due to be repaid in full on 30 September 2029.

GLID Windfarms TopCo Limited has provided a letter of support to both Lynn Wind Farm Limited and Inner Dowsing Wind Farm Limited, such that amounts owed to the parent company will only be requested subject to the subsidiaries being able to meet their liabilities as they fall due.

Credit risk and impairment

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract.

The Group is exposed to credit risk in its sale of goods and services and on its treasury activities. Counterparty credit exposures are monitored by individual counterparty and by a minimum threshold credit rating.

There have been no material changes in the management of risk in the period or in the level of exposure to counterparties below investment grade.

Concentrations of credit risk

The Group sells all of its generated electricity and 50% of the associated environmental credits to British Gas Trading Limited.

The remainder of the associated environmental credits are sold to NPower Limited. There is a Parent Company Guarantee in place in respect of the Npower Agreement.

The Group's cash and cash equivalents are all held with a single financial institution.

Past due and impaired financial assets

No financial assets are past due at 31 December 2019 (2018: £nil) and no allowances have been made for impairment by credit losses (2018: £nil).

Market risk

Market risk is the risk of loss that results from changes in market prices (commodity prices, interest rates and foreign exchange rates). The level of market risk to which the Group is exposed at a point in time varies depending on market conditions, expectations of future price or market rate movements.

Commodity price risk

The Group is exposed to commodity price risk from the sale of electricity produced by the wind farms. The Group is also exposed to volumetric risk in the form of an uncertain production profile that is dependent on wind speeds and the physical availability of the wind farms. The availability is driven by technical performance of the wind turbines, physical access to the wind farm and distribution and transmission system availability.

Notes to the Financial Statements for the Year Ended 31 December 2019

26 Financial risk management and impairment of financial assets (continued)

To manage the price risk the Group has entered into power purchase agreements with British Gas Trading Limited to sell power and ROCs until September 2024 based on a market index and Npower Limited to sell ROCs until March 2026 based on a market index. The commodity price exposure is managed by terms in these agreements that provide both a cap and floor to the prices achieved in respect of 75% of output.

There is a concentration of price risk to the Group as all of the electricity produced has to be immediately sold at the day-ahead market price, subject to the cap and floor prices included in the power purchase agreements. Current day ahead prices are close to the power price floor and have during the financial year been close to the floor therefore there is a *greater probability of upside than downside on power prices in future years for the 75% of generation covered by the floor price.*

The volumetric risk is managed through operations and maintenance activities targeted to maximise commercial availability and yield from the available wind resource.

Sensitivity analysis

Sales of electricity represent approximately 30% of the Group's revenue. The impact to the Group on revenue of a +/- 5% change in UK power prices would be +/- £1.1 million.

Other price risk

The Group is exposed to price risk from the sale of Renewable Obligation Certificates ("ROCs") awarded based on electricity production. There is a variable price component within this revenue stream, but the prices are substantially linked to the movement in the UK Retail Price Index.

The Group is also exposed to regulatory risk in the form of ongoing governmental support for the issue of these certificates.

The Group's power purchase agreements provide for 100% of the ROCs to be sold on a long-term contracted basis between March 2016 and September 2024.

All of the certificates awarded have been contracted for sale based on the price set by government, which concentrates the price risk based on government actions to set industry targets for the supply of renewable power.

Sensitivity analysis

The main sensitivity is around the variable price component of ROCs, the Recycling Benefit ("ROC recycle"), which represents an incremental level of revenue above the basic price set by government (the "buy-out price"). The Group deems that a range for the ROC recycle of between 0% - 10% of the ROC buy-out price is reasonably possible. The impact of such movements on profit and equity, both after taxation, is not material to the Group.

Interest rate risk

In the normal course of business, the Group borrows to finance operations. Since 7 March 2016 the Group is no longer exposed to interest rate risk because the interest rates on the shareholder loans are fixed at 6.5%. In respect of decommissioning a 1% increase in interest rate will see an increase to the discount rate applied in the future resulting in a £1.8m reduction to the provision.

Notes to the Financial Statements for the Year Ended 31 December 2019

26 Financial risk management and impairment of financial assets (continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. The Group experiences movements in its liquidity position due to the seasonal nature of its business.

To mitigate this risk the Group holds cash on deposit.

Maturity analysis

	Note	Within 1 year £ 000	Between 1 and 2 years £ 000	Between 2 and 5 years £ 000	After more than 5 years £ 000	Total £ 000
At 31 December 2019						
Trade and other payables	16	5,076	-	-	-	5,076
Liabilities arising from finance activities	18	327	374	1,436	7,798	9,935
Borrowing	19	12,136	16,046	58,165	138,515	224,862
		<u>17,539</u>	<u>16,420</u>	<u>59,601</u>	<u>146,313</u>	<u>239,873</u>
	Note	Within 1 year £ 000	Between 1 and 2 years £ 000	Between 2 and 5 years £ 000	After more than 5 years £ 000	Total £ 000
At 31 December 2018						
Trade and other payables	16	10,046	-	-	-	10,046
Borrowing	19	20,000	18,281	70,199	134,002	242,482

Capital risk management

Capital components

The Group considers Capital to comprise share capital, accumulated profits and net debt, which in turn is net of loans and borrowings and cash and cash equivalents.

	Note	£ 000	£ 000
Total capital			
Share capital	21	500	500
Accumulated profits		4,109	1,632
Non-current loans and borrowings	20	212,726	222,482
Cash and cash equivalents		<u>(4,459)</u>	<u>(7,386)</u>
		<u>212,876</u>	<u>217,228</u>

Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for their stakeholders.

The Group monitors its current and projected capital position on a regular basis through cash flow forecasts, which consider different inputs including significant movements in commodity prices. In order to maintain the capital structure, the Group may adjust future distributions to shareholders.

Notes to the Financial Statements for the Year Ended 31 December 2019

27 Financial instruments

Categories of financial instrument

Financial Assets

	Group Loans and receivables £ 000	Group Non- financial assets £ 000	Group Total £ 000	Company Loans and receivables £ 000	Company Non- financial assets £ 000	Company Total £ 000
31 December 2019						
Trade receivables	4,778	-	4,778	-	-	-
Value added tax	-	-	-	1,006	-	1,006
Other receivables	3	-	3	3	-	3
Prepayments	-	916	916	-	-	-
Accrued income	14,814	-	14,814	-	-	-
Amounts owed by group undertakings	-	-	-	126,883	-	126,883
Inventories	-	20	20	-	20	20
Cash and cash equivalents	4,459	-	4,459	4,459	-	4,459
Current Assets	24,054	936	24,990	132,351	20	132,371
	Group Loans and receivables £ 000	Group Non- financial assets £ 000	Group Total £ 000	Company Loans and receivables £ 000	Company Non- financial assets £ 000	Company Total £ 000
31 December 2018						
Trade receivables	2,025	-	2,025	-	-	-
Value added tax	-	-	-	2,089	-	2,089
Other receivables	83	-	83	83	-	83
Prepayments	-	50	50	-	-	-
Accrued income	15,847	-	15,847	-	-	-
Amounts owed by group undertakings	-	-	-	162,813	-	162,813
Inventories	-	20	20	-	20	20
Cash and cash equivalents	7,386	-	7,386	782	-	782
Current Assets	25,341	70	25,411	165,767	20	165,787

Notes to the Financial Statements for the Year Ended 31 December 2019

27 Financial instruments (continued)

Financial liabilities

	Group	Group	Group	Company	Company	Company
	Other liabilities (amortised cost)	Liabilities not within scope of IAS 39	Total	Other liabilities (amortised cost)	Liabilities not within scope of IAS 39	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
31 December 2019						
Trade payables	60	-	60	60	-	60
Value added tax	-	1,649	1,649	-	-	-
Accruals	1,426	-	1,426	529	-	529
Shareholder loans	224,862	-	224,862	224,862	-	224,862
Liabilities arising from financing activities	9,935	-	9,935	3,119	-	3,119
Other provisions	15,032	-	15,032	-	-	-
Corporation tax	-	1,941	1,941	-	-	-
Deferred tax liability	-	17,185	17,185	-	-	-
	251,315	20,775	272,090	228,570	-	228,570
31 December 2018						
Trade payables	122	-	122	122	-	122
Value added tax	-	2,541	2,541	-	-	-
Accruals	5,323	-	5,323	4,526	-	4,526
Shareholder loans	242,482	-	242,482	242,482	-	242,482
Other provisions	14,264	-	11,694	-	-	-
Corporation tax	-	2,060	2,060	-	-	-
Deferred tax liability	-	17,110	17,288	-	-	-
	262,191	21,711	281,510	247,130	-	247,130

Notes to the Financial Statements for the Year Ended 31 December 2019

28 Related party transactions

From 11 December 2009, the subsidiaries of the Group have been wholly owned by GLID Wind Farms TopCo Limited. The Company provided initial funding to each wind farm by way of an unsecured intercompany loan with all subsequent payments made by the Company on the subsidiaries behalf. The subsidiaries make periodic repayments against their loans together with interest payments at a rate of 9%.

	Owing to GLID Wind Farms Topco Limited At 31 December 2019 £ 000	Interest incurred during the year At 31 December 2019 £ 000	Owing to GLID Wind Farms Topco Limited At 31 December 2018 £ 000	Interest incurred during the year At 31 December 2018 £ 000
Lynn Wind Farm Limited	62,032	6,472	80,270	8,073
Inner Dowsing Wind Farm Limited	64,851	6,686	82,543	6,380

On 7 March 2016 three loan notes were issued to the current parent undertakings in the form of parent loans. The loans are not secured. The notes bear interest on their outstanding principal amount at a rate of 6.5% per annum. The notes and interest are due to be repaid in full on 30 September 2029. Total interest of £240,000 has accrued on these loan notes at 31 December 2019 (2018: £861,000).

	At 31 December 2019 £ 000	At 31 December 2018 £ 000
Owed by GLID Wind Farms Topco Limited		
UK Green Investment LID Limited	136,613	147,318
RI Income UK Holdings Limited	77,070	83,110
RI EU Holdings (UK) Limited	11,178	12,054

No provision for bad or doubtful debts owed by related parties was required (2018: £nil).

No Key Management Personnel (KMP) compensation was paid during the year. No Director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Notes to the Financial Statements for the Year Ended 31 December 2019

29 Parent and ultimate parent undertaking

On 7 March 2016, each of GLID's and Boreas Holdings S.à.r.l. agreed to sell their respective 50% shareholding in GLID Wind Farms TopCo Limited, to UK Green Investment LID Limited (60.8% holding), RI Income UK Holdings Limited (34.3% holding) and RI EU Holdings (UK) Limited (4.9% holding). There is joint control at board level and no ultimate controlling party.

UK Green Investment LID Limited is 100% owned by funds managed by Green Investment Group Management Limited, a company registered in Scotland.

RI Income UK Holdings Limited's ultimate parent undertaking is Renewable Income UK, a sub-fund of BlackRock Infrastructure Funds plc and RI EU Holdings (UK) Limited's ultimate parent undertaking is Renewable Income Europe, a sub-fund of BlackRock Infrastructure Funds plc, a company registered in Ireland.