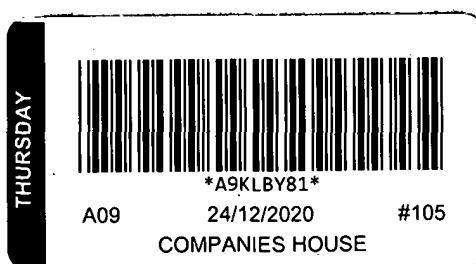


Registered number: 11441650

LLUEST Y GWYNT WIND FARM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



LLUEST Y GWYNT WIND FARM LIMITED

COMPANY INFORMATION

Directors	David Flood Darren Williams (appointed 26 February 2019) Richard Mardon (appointed 31 January 2020) David Williams (resigned 26 February 2019) Johan Bostrom (resigned 31 January 2020)
Company secretary	Folasade Kafidiya-Oke
Registered number	11441650
Registered office	4th Floor 41 Moorgate London EC2R 6PP
Independent auditors	Deloitte LLP Statutory Auditor London United Kingdom
Bankers	Danske Bank ICB London 75 King William Street London EC4N 7DT

CONTENTS

	Pages
Strategic Report	3 - 4
Directors' Report	5 - 6
Independent Auditor's Report	7 - 10
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Financial Position	12 - 13
Statement of Changes in Equity	14 - 15
Statement of Cash Flows	16 - 17
Notes to the Financial Statements	18 - 33

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006 which requires the Company to present a fair review of its business along with a description of the principal risks and uncertainties facing the Company.

Principal activities

The principal activity of Lluest y Gwynt Wind Farm Limited (the "Company") is to develop and construct a wind farm in Wales.

Review of business

The Company made a loss after tax in the year of £128,000 (2018: £25,000).

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the business are results after tax and these are shown above.

Future outlook

Development activities for the wind farm project are currently ongoing and the wind farm is expected to become operational by Q4 2024.

Corporate social responsibility

The Company strives to achieve an open and constructive dialogue with all stakeholders and the directors are working to develop the Company in a manner which increases the value for the ultimate controlling party and the local community in which the Company operates.

Principal risks and uncertainties

The management of risks is based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact:

- The Company has no revenue and the Directors consider that risks and uncertainties arise from the unpredictable duration of local planning processes and construction work necessary to build-out wind farm development sites and uncertainty associated with potential changes to national renewable energy incentive schemes. These risks are monitored by the Board on a regular basis and the Company seeks to mitigate these risks wherever possible.
- The Company faces a risk of reputational damage to itself and its ultimate controlling party, Statkraft SF, through its operations. The Company invests resources in resolving local grievances raised relating to the wind farm.

LLUEST Y GWYNT WIND FARM LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Operational and other risks

COVID-19

The rapid spread of COVID-19 worldwide, with restrictions imposed by the authorities as part of efforts to limit the spread of the virus, creates major challenges for businesses in various industries. Lluest y Gwynt Wind Farm Limited assesses both current and potential consequences for the Company's operations. Further development of the situation is still very uncertain. Lluest y Gwynt Wind Farm Limited has considered that, from a wind farm development perspective, there is not a significant amount of disruption due to the nature of the isolated environment of the wind farm site. There may be consequences indirectly through the supply of development goods and services due to possible restrictions on movements for such teams.

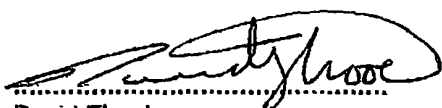
Initial risk reduction measures by the wind farm developers and the Company's largest suppliers have already been implemented and further measures are being assessed continuously. Lluest y Gwynt Wind Farm Limited will monitor the development and update risk assessment and measures in line with the government's recommendations and guidelines, as well as with the industry's practice.

Brexit

The UK left the European Union on 31 January 2020 when the Brexit withdrawal agreement became effective. At the time of signing these financial statements, the UK and the EU remain in a transition period, which is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. In view of the ongoing COVID-19 situation, it is possible that this transition period may be extended.

The exact impact on the Company is inherently uncertain however it is likely that there will be a variety of legislative changes which may result in changes to the tariffs applied to sales and purchases for goods imported and exported to and from the UK. It is unlikely that these changes will have a significant impact on the Company or the nature of the Company's business given that the principal activity of the Company is to develop and construct a wind farm in the UK.

This report was approved by the Board of Directors and signed on its behalf by:



David Flood
Director

Date: 17/12/2020

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of resources available to the Company and current market conditions and concluded that it is appropriate.

The Directors have also considered the impact of COVID-19 on going concern. While the situation is still evolving and uncertain, the Directors expect the impact on the Company to be low and thus have deemed that the use of the going concern assumption remains appropriate.

Further details regarding the impact of COVID-19 can be found in the Strategic Report and in note 2 to the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements while further details of the future outlook of the Company can be found in the Strategic Report.

Results and dividends

The loss for the year, after tax, amounted to £128,000 (2018: £25,000).

The directors do not propose that a dividend be paid in relation to the current year.

Directors

LLUEST Y GWYNT WIND FARM LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors who served during the year and up to the date of this report were:

David Flood
Darren Williams (appointed 26 February 2019)
Richard Mardon (appointed 31 January 2020)
David Williams (resigned 26 February 2019)
Johan Bostrom (resigned 31 January 2020)

Policy on financial risk management

The financial risk management of the Company is detailed in note 3 to the Company's financial statements.

Events after the balance sheet

COVID-19

Subsequent to the balance sheet date, the rapid spread of COVID-19 worldwide has led to restrictions imposed by authorities to limit the spread of the virus. At the date of signing these financial statements, the assessment of the situation is continuing to evolve. Consistent with other companies with a December 2019 year end, COVID-19 is considered to be a non-adjusting post balance sheet event. No adjustment has been made in these financial statements for the impact of COVID-19, which currently remains unclear. However, the Directors expect the impact on the Company to be low.

Disclosure of information to auditors

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

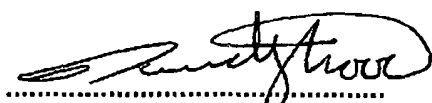
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

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

This report was approved by the Board of Directors and signed on its behalf by:



David Flood
Director

Date: 17/12/2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLUEST Y GWYNT WIND FARM LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Llust y Gwynt Wind Farm Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statements of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLUEST Y GWYNT WIND FARM LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLUEST Y GWYNT WIND FARM LIMITED

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

LLUEST Y GWYNT WIND FARM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLUEST Y GWYNT WIND FARM LIMITED

D Winstone

Daryl Winstone FCA (Senior Statutory Auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor

London

United Kingdom

Date: 22 December 2020

LLUEST Y GWYNT WIND FARM LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Administrative expenses		(128)	(25)
Operating loss	7	<u>(128)</u>	<u>(25)</u>
Finance income	8	1	-
Finance expense	8	(1)	-
Loss before tax		<u>(128)</u>	<u>(25)</u>
Loss for the year		<u>(128)</u>	<u>(25)</u>
Total comprehensive expense for the year		<u><u>(128)</u></u>	<u><u>(25)</u></u>

The results for both years have been derived wholly from continuing operations.

During the current year, it was noted that a number of prior year development costs were incorrectly accounted for in the prior year financial statements. This has consequently led to a number of restatements. Please refer to note 2.1 for further information.

LLUEST Y GWYNT WIND FARM LIMITED
REGISTERED NUMBER: 11441650

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

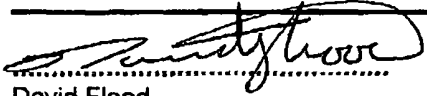
	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Assets under development	10	396	205
		<u>396</u>	<u>205</u>
Current assets			
Trade and other receivables	11	16	46
Cash and cash equivalents		38	-
		<u>54</u>	<u>46</u>
Total assets		<u>450</u>	<u>251</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	12	500	-
		<u>500</u>	<u>-</u>
Current liabilities			
Trade and other payables	13	103	276
		<u>103</u>	<u>276</u>
Total liabilities		<u>603</u>	<u>276</u>
Net liabilities		<u>(153)</u>	<u>(25)</u>
Issued capital and reserves			
Retained losses		(153)	(25)
TOTAL EQUITY		<u>(153)</u>	<u>(25)</u>

The financial statements of Lluest y Gwynt Wind Farm Limited (registered number 11441650) were approved by the Board of Directors and authorised for issue on 17 December 2020.

They were signed on its behalf by:

LLUEST Y GWYNT WIND FARM LIMITED
REGISTERED NUMBER: 11441650

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019



David Flood
Director

Date: 17/12/2020

LLUEST Y GWYNT WIND FARM LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Retained losses £000	Total equity £000
At 1 January 2019	(25)	(25)
Loss for the year	(128)	(128)
	<u>(128)</u>	<u>(128)</u>
Total comprehensive expense for the year		
	<u></u>	<u></u>
At 31 December 2019	<u>(153)</u>	<u>(153)</u>

The notes on pages 18-33 form part of these financial statements.

LLUEST Y GWYNT WIND FARM LIMITED

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

	Retained losses	Total equity
	£000	£000
Loss for the year	(25)	(25)
Total comprehensive expense for the year	<u>(25)</u>	<u>(25)</u>
At 31 December 2018	<u><u>(25)</u></u>	<u><u>(25)</u></u>

The notes on pages 18-33 form part of these financial statements.

LLUEST Y GWYNT WIND FARM LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £000	2018 £000
Cash flows from operating activities		
Loss for the year	(128)	(25)
	(128)	(25)
Adjustments for:		
Finance income	(1)	-
Finance expense	1	-
	(128)	(25)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	30	(46)
Increase in trade and other payables	16	33
	(82)	(38)
Cash (used in)/generated from operations	(82)	(38)
Interest paid	(1)	-
	(83)	(38)
Net cash (used in)/generated from operations	(83)	(38)

LLUEST Y GWYNT WIND FARM LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £000	2018 £000
Cash flows from investing activities		
Additions of assets under development	(191)	(205)
Interest received	1	-
Net cash used in investing activities	(190)	(205)
Cash flows from financing activities		
Loans received from parent entity	500	-
(Decrease)/increase in related party payables	(189)	243
Net cash received from financing activities	311	243
Net increase in cash and cash equivalents	38	-
Cash and cash equivalents at the end of the year	38	-

LLUEST Y GWYNT WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information

Lluest y Gwynt Wind Farm Limited (the "Company") is a private company limited by shares and registered in England and Wales with registered number 11441650. The Company is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is 4th Floor, 41 Moorgate, London, EC2R 6PP.

The immediate parent undertaking of Lluest y Gwynt Wind Farm Limited is Statkraft UK LTD, a company incorporated in the United Kingdom, which owns 79% of the Company's shares. The remaining 21% of the Company's shares are held by Eco2 LYG Limited, a company incorporated in the United Kingdom.

Statkraft UK LTD is owned by Statkraft AS, a company incorporated in Norway, which is the smallest group consolidating these financial statements.

The largest group to consolidate these financial statements is Statkraft SF, a company incorporated in Norway.

Statkraft SF owns Statkraft AS and is the ultimate controlling party of Lluest y Gwynt Wind Farm Limited.

Both of the group financial statements can be obtained from their registered offices which are at Lilleakerveien 6, Postboks 200, Lilleaker 0216, Oslo, Norway or www.statkraft.com.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company are separate financial statements and have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore comply with Article 4 of the EU IAS regulation.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The preparation of financial statements requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4

During the current year, it was noted that a number of prior year development costs were incorrectly accounted for in the prior year financial statements, the majority of these costs being incorrectly expensed to the Income Statement rather than being capitalised to Assets under development. In order to correct these errors, the relevant prior year figures have been restated in these financial statements. Specifically, the below prior year figures have been restated:

Administrative expenses - decreased by £172,000

Assets under development - increased by £205,000

Trade and other receivables - increased by £14,000

Trade and other payables - increased by £47,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Strategic Report and the Directors' Report. The financial position of the Company is disclosed on page 12. Its financial risk management objectives and details of its exposure to liquidity risk are disclosed in note 3.

The Company is in a net liabilities position. However, the majority of its liabilities are due to the parent entity and the directors do not believe that these liabilities will be recalled until the Company has sufficient resources.

Considering all relevant factors, including review of the Company's cash flow forecasts and the relationship with its parent entity (who have undertaken to provide financial support to the Company to enable it to operate as a going concern and to discharge its obligations as and when they fall due), the directors have reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have also considered the impact of COVID-19 on going concern, including the potential impact of lower power prices in the future and the impact on liquidity. While the situation is still evolving and uncertain, the Directors expect the impact on the Company to be low given that the Company is not expected to be revenue generating until Q4 2024 when the wind farm becomes operational and the impact of lower energy prices to be temporary.

The Directors have therefore concluded that the use of the going concern assumption remains appropriate.

Further details regarding the impact of COVID-19 can be found in the Strategic Report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 New standards, interpretations and amendments

Adoption of new and revised standards

In 2019, new standards and amendments to existing standards have become effective. This is related to the following standards:

IAS 28 Long-term interests in associates and joint ventures

An amendment to IAS 28 Investments in Associates and Joint Ventures, effective from 1 January 2019, clarifies that IFRS 9 Financial Instruments, including its impairment requirements, applies to long term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture, for which the equity method is not applied.

IFRIC 23 (Interpretation) Uncertainty over income tax treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Annual improvements to IFRS Standards 2015-2017 cycle

On 12 December 2017, the IASB issued 'Annual Improvements to IFRS Standards 2015-2017 Cycle,' which contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The four standards that were amended, effective from 1 January 2019, were IFRS 3 (Business Combinations), IFRS 11 (Joint Arrangements), IAS 12 (Income Taxes) and IAS 23 (Borrowing Costs).

None of the above standards had a significant impact on the financial statements of the Company.

In addition, the following new and revised standards have been adopted:

- IFRS 16 Leases;
- IFRS 9 (amendments) Prepayments Features; and
- IAS 19 (amendment) Plan amendment, Curtailment or Settlement.

The adoption of the above standards did not have a significant impact on the financial statements of the Company.

The following revised IFRS's have been issued, but are not yet effective, and in some cases have not been adopted by the EU:

- IFRS 3 Business combinations (amendment) Definition of a Business (effective date 1 January 2020)
- IAS 1 and IAS 8 (amendment) Definition of Material (effective date 1 January 2020)
- Conceptual Framework (amendment) References in IFRS Standards (effective date 1 January 2020)
- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (effective date 1 January 2021)

The Company do not expect that the adoption of these Standards will have a material impact on the financial statements for the Company in future years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 Foreign currencies

(a) Functional and presentation currency

The functional currency for the Company is pounds sterling and is determined by the currency of the primary economic environment in which it operates. This is also the presentation currency of the Company.

(b) Transactions and balances

Transactions denominated in currencies other than the functional currency of the Company are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are not re-translated.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

2.6 Assets under development

Development expenditure is project related expenditure incurred during the period between the project initiation and commencement of construction of the wind farm. Typically, this will include expenditure on the following:

- acquisition of rights and options over existing projects partially developed by third parties;
- land purchase, land purchase options, land leases and title insurance;
- land improvements, structures and monitoring equipment;
- surveys, assessments and feasibility studies; and
- project related legal and professional fees.

The Company's policy on initial capitalisation of development expenditure and the subsequent presentation and disclosure of the resulting assets is as follows:

Costs are capitalised as assets under development to the extent that they can be directly attributed to a clearly defined project from which economic benefit is expected (i.e. more likely than not) to flow.

The Company has established procedures to track the progress of its wind farm development project through the development process including regularly reassessing its operational and economic viability.

Assets under development are not depreciated and are held at cost less impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.7 Impairments of assets under development

At each balance sheet date, the Company reviews the carrying amounts of its assets under development to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is used to deem the recoverable amount of the assets under development, please see note 10 for further details. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but ensuring that the increased carrying amount does not exceed the original carrying amount before the impairment loss was booked. A reversal of impairment loss is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.8 Taxation

Income tax comprises current and deferred tax. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.9 Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of a financial instrument. All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. All financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.10 Debt instruments

Debt instruments that are held within a business model where (i) the objective is to hold the financial asset in order to collect the contractual cash flows and (ii) whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are recognised at amortised cost using the effective interest method, less any impairment except for short-term receivables when the recognition of interest would be immaterial.

Other debt instruments that do not meet the above conditions are recognised at either fair value through comprehensive income or fair value through profit or loss depending on the business model for the financial asset and the contractual cash flows arising.

2.11 Impairments of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2.12 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.13 Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2.14 Equity

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.15 Financial liabilities

The Company does not hold any financial liabilities classified as held at fair value through profit or loss. Consequently, all financial liabilities are initially measured at fair value minus transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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, or, where appropriate, a short period, to the net carrying amount on initial recognition.

2.16 Derecognition of financial liabilities

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire.

3. Financial risk management

The Company's activities expose it to a variety of financial risks, such as foreign exchange, capital and liquidity risk.

(a) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to Euros. However, a relatively small amount of the Company's transactions are denominated in foreign currencies and the Company does not therefore use any derivative instruments to manage this risk.

(b) Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of its debt to equity balance. The capital structure of the Company consists of debt – which includes loans and borrowings disclosed in note 12, cash and equity attributable to the shareholders of the Company; comprising issued share capital and retained earnings disclosed in the Statement of Changes in Equity.

(c) Liquidity risk

Liquidity risk is the risk that the Company are unable to meet their payment obligations when due, or are unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments. While the minimum internal liquidity threshold is adjusted from time to time in response to changes in market conditions, this minimum internal liquidity target may be breached due to circumstances outside the Company's control, such as general market disruptions, sharp movements in commodity prices or an operational problem that affects suppliers, customers or the Company itself. A lack of liquidity may mean that the Company will not have funds available to maintain or increase marketing and industrial activities, both of which employ substantial amounts of capital. If the Company does not have funds available to sustain or develop its marketing and industrial activities then these activities will decrease.

However, liquidity risk for the Company is substantially reduced given the fact that funding is sourced from its parent entity, Statkraft UK LTD, who are in a very strong cash position and are thus able to provide further funding for the entity if and when required.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgements in applying the entity's accounting policies

Judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Deferred tax

Deferred tax assets are recognised to the extent that the utilisation of the asset is considered probable and management policy is for the Company to recognise such assets only when profits are expected to continue in the immediate future.

As disclosed in Note 9, deferred tax assets associated with tax losses are not recognised in the balance sheet as there is insufficient evidence of future profitability to utilize the carried forward tax losses.

4.2 Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment

Significant investments are made in assets under development (disclosed in note 10). These non-current assets are tested for possible impairment where there are indicators of loss of value. Fair value less costs to sell is used to calculate the recoverable amount.

In assessing the existence of indicators of impairment, the directors regularly consider the commitment to develop the wind farm site and the probability of this occurring, including the granting of planning permission to construct and operate the wind farm.

5. Directors' emoluments

During the year, the Company had four directors (2018: four directors). Their emoluments were borne by related parties of the Company and none of their fees were recharged to the Company.

6. Employee information

The Company had no employees during either year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Operating loss

	2019 £000	2018 £000
The following items have been included in arriving at operating loss:		
Fees payable to the Company's auditor for the audit of the Company's annual report and financial statements	3	-

In 2018, £2k of audit fees were borne by the Company's parent, Statkraft UK LTD.

There were no fees for non-audit services payable to the Company's auditor in either year.

8. Finance income and finance expense

	2019 £000	2018 £000
Finance income		
Bank interest	1	-
	<u>1</u>	<u>-</u>
	2019 £000	2018 £000
Finance expense		
Bank charges	1	-
	<u>1</u>	<u>-</u>

9. Taxation

	2019 £000	2018 £000
Reconciliation of tax charge/credit		
Loss before tax	(128)	(25)

LLUEST Y GWYNT WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Tax at the UK corporation tax rate of 19% (2018: 19%)	(24)	(5)
Effects of:	-	-
Deferred tax assets not recognised	24	5
Total tax charge/credit for the year	-	-

A deferred tax asset of £29k (2018: £5k) is not recognized as there is insufficient evidence of future profitability to utilize the carried forward tax losses.

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget, it was announced that the reduction in the UK rate to 17% will now not occur and the corporation tax rate will be held at 19%.

10. Assets under development

	2019 £000	2018 £000
Cost		
At 1 January	205	-
Additions	191	205
At 31 December	396	205
Accumulated depreciation and impairment		
At 1 January	-	-
Charge for the year	-	-
At 31 December	-	-
Net book value		
At 1 January	205	-
At 31 December	396	205

Assets under development comprise of a wind farm development in Wales.

There were no capital commitments outstanding at year end.

LLUEST Y GWYNT WIND FARM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Trade and other receivables

	2019	2018
	£000	£000
VAT receivable	16	46
	16	46

There are no trade and other receivables past due and not provided for. The directors consider that the carrying value of trade and other receivables approximately equals their fair value.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

In accordance with the expected credit loss model introduced by IFRS 9, the Company records lifetime expected credit losses on receivables. The loss provision is based on the Company's assessment of the expected credit losses. The Company does not expect to incur material losses on its receivables.

12. Loans and borrowings

	2019	2018
	£000	£000
Non-current		
Loans from parent entity	500	-
	500	-

Loans from the parent entity represent the loan payable to Statkraft UK LTD. The loan is non interest bearing and is due to be fully repaid upon any Final Investment Decision on the wind farm project being made.

LLUEST Y GWYNT WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. Trade and other payables

	2019 £000	2018 £000
Trade payables	49	33
Amounts owed to related parties	54	243
	<u>103</u>	<u>276</u>

Trade payables comprise amounts outstanding for trade purchases and on-going costs. Interest is not charged on these trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. All liabilities recorded above are expected to be settled within twelve months of the reporting date and hence all are disclosed as current liabilities.

Amounts owed to related parties relate to due management and other services provided by the parent entity and the minority shareholder. These are settled on a monthly basis.

The directors consider that the carrying amount of trade and other payables approximately equals their fair value.

14. Share capital

Authorised

	2019 Number	2018 Number
Shares treated as equity		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Share capital (continued)

Issued and fully paid

	2019 Number	2018 Number
Ordinary shares of £1 each		
At 31 December	100	100

79% of the Company's shares are owned by Statkraft UK LTD while the other 21% are owned by Eco2 LYG Limited.

In the prior year financial statements, it was incorrectly reported that the 2018 authorised and issued share capital of the Company was £1 (1 ordinary share of £1 each). This has been corrected in these financial statements.

15. Financial instruments

	2019 £000	2018 £000
Financial assets measured at amortised cost		
Trade and other receivables	-	-
Cash and bank balances	38	-
	<u>38</u>	<u>-</u>
	2019 £000	2018 £000
Financial liabilities measured at amortised cost		
Loans and borrowings	500	-
Trade and other payables	103	276
	<u>603</u>	<u>276</u>

All the above financial instruments are accounted for as financial assets and liabilities measured at amortised cost in accordance with IFRS 9.

The carrying value of the financial assets and liabilities measured at amortised cost closely approximate their fair value.

Cash and bank balances comprise balances held with banks. Since the balances mature in less than 90 days, the carrying value is considered to be the fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Related party transactions

Details of transactions between the Company and its related parties are disclosed below.

16.1 Trading transactions

During the year, the Company entered into the following trading transactions with its related parties.

	Purchases of goods	
	2019 £000	2018 £000
Related party transactions - Income statement		
Parent entity	22	16
Group subsidiaries	1	-
	<u>23</u>	<u>16</u>

The above expenses relate to management and other services provided by the parent entity and group subsidiaries. These are settled on a monthly basis.

The following balances were outstanding at the end of the reporting year:

	Amounts owed to related parties	
	2019 £000	2018 £000
Related party transactions - Balance sheet		
Parent entity	504	239
Minority shareholder	50	4
	<u>554</u>	<u>243</u>

The above payable balances relate to loans from the parent entity and due management and other services provided by the parent entity and the minority shareholder which are settled on a monthly basis.

Loans from the parent entity are further disclosed in note 12 while due management and other services payable are further disclosed in note 13.

All of the related parties above are either the parent entity, the minority shareholder or subsidiaries of the ultimate controlling party of the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Controlling party

The immediate parent undertaking of Lluest y Gwynt Wind Farm Limited is Statkraft UK LTD, a company incorporated in the United Kingdom, which owns 79% of the Company's shares. The remaining 21% of the Company's shares are held by Eco2 LYG Limited, a company incorporated in the United Kingdom.

Statkraft UK LTD is owned by Statkraft AS, a company incorporated in Norway, which is the smallest group consolidating these financial statements.

The largest group to consolidate these financial statements is Statkraft SF, a company incorporated in Norway.

Statkraft SF owns Statkraft AS and is the ultimate controlling party of Lluest y Gwynt Wind Farm Limited.

Both of the group financial statements can be obtained from their registered offices which are at Lilleakerveien 6, Postboks 200, Lilleaker 0216, Oslo, Norway or www.statkraft.com.

18. Subsequent events

COVID-19

Subsequent to the balance sheet date, the rapid spread of COVID-19 worldwide has led to restrictions imposed by authorities to limit the spread of the virus. At the date of signing these financial statements, the assessment of the situation is continuing to evolve. Consistent with other companies with a December 2019 year end, COVID-19 is considered to be a non-adjusting post balance sheet event. No adjustment has been made in these financial statements for the impact of COVID-19, which currently remains unclear. However, the Directors expect the impact on the Company to be low.