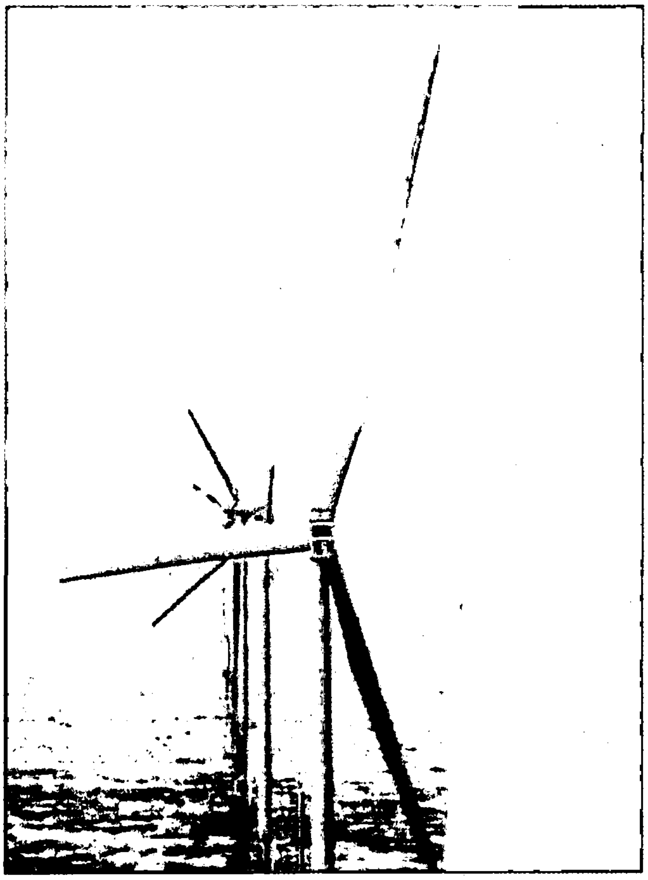
Registration number: SC213642



Inner Dowsing Wind Farm Ltd

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

Inner Dowsing Wind Farm Ltd
Annual Report and Financial Statements

Contents

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report of Inner Dowsing Wind Farm Limited ("the Company") for the year ended 31 December 2019.

Review of the business

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosures Framework ('FRS 101').

The wind farm has operated satisfactorily during the year. Revenue was above plan due to a higher than forecast return on embedded benefits.

Principal risks and uncertainties

Inner Dowsing Wind Farm Limited'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 farm. 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 is dependent on market pricing subject to a cap and floor in respect of 75% of the generation. ROCs awarded are based on production and have an annual price published by OFGEM which is indexed from 1 April each year. Revenue uncertainty impacts the Company's cash flow and as such the Group's ability to make loan repayments and to make distributions to shareholders 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. Turnover has decreased by 6% (2019: £36,476,000) from prior year (2018: £38,635,000) which has resulted in a reduced financial performance in 2019. This decrease is primarily due to a combination of low power prices and generation mitigated by improved embedded benefits. To create the maximum renewable energy the Company monitors the effectiveness of the wind farm on a regular basis and endeavors to achieve a high level of performance.

Financial position

The financial position of the Company is presented in the Statement of Financial Position on page 12. Total shareholders' funds at 31 December 2019 were £17,676,000 (2018: £8,047,000).

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

Future developments

Commercial generation is expected to continue from the wind farm 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.

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

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Alexis Ulens

Director

Company registered in Scotland, No. SC213642

Registered office:

Eversheds Sutherland (International) LLP
3 Melville Street Edinburgh
Scotland
EH3 7PE

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 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
A Ulens
K Smith
K Mangan

Principal activity

The principal activity of the Company is the operation of the Inner Dowsing wind farm.

Results and dividends

The results of the Company are set out on page 11. The profit for the financial year ended 31 December 2019 is £9,629,000 (2018: £11,417,000). Dividends of £nil were paid during the year. The Directors recommend payment of a final dividend of £10,000,000 (2018: £nil).

Financial instruments

Objectives and policies

The Directors have established objectives and policies for managing financial risks to enable the Company 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 Company's business.

Interest Rate & Currency Risk

The group has no significant exposure to currency risk. The company's transactions and balances are denominated in sterling. The company loans are at a fixed interest rate. An increase in the interest rate will result in an increase to the discount rate applied to decommissioning provisions thereby reducing them.

Price Risk

Price risk is based on power prices and ROC prices. To mitigate electricity price risk, the Company 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)

Financial instruments (continued)

Liquidity & Cash Flow Risk

In order to review available liquidity cash forecasts for the company are produced and reviewed regularly. Low generation due to low wind or low availability affect revenue and cash flow. In order to generate the maximum renewable energy, the Company monitors the performance of the wind farm on a regular basis and endeavors to achieve a high level of availability. From April 2017 the company entered into a company 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 pages 2 to 3.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's parent GLID Wind Farms Topco Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the GLID Wind Farms Topco Limited group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of GLID Wind Farms Topco Limited, the company's directors have a reasonable expectation that the company will be able 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

The Company is a wholly owned subsidiary of GLID Wind Farms TopCo Limited, which is jointly controlled. The Directors of the Company are nominated by the joint venture partners of its parent company. The Directors are covered by the 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.

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

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 regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 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 each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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.

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

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Alexis Ulens

Director

Company registered in Scotland, No. SC213642

Registered office:

Eversheds Sutherland (International) LLP
3 Melville Street Edinburgh
Scotland
EH3 7PE

Independent Auditor's Report to the Members of Inner Dowsing Wind Farm Limited

Report on the financial statements

Opinion

We have audited the financial statements of Inner Dowsing Wind Farm Limited (the 'company') for the year ended 31 December 2019 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent Auditor's Report to the Members of Inner Dowsing Wind Farm Limited (continued)

Conclusions relating to going concern (continued)

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 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.

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, 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.

Independent Auditor's Report to the Members of Inner Dowsing Wind Farm Limited (continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

Grant Thornton UK LLP

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

Income Statement for the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue - continuing operations	5	36,476	38,635
Cost of Sales		(15,256)	(15,123)
Gross profit		21,220	23,512
Administrative expenses		(2,143)	(2,445)
Operating profit	6	19,077	21,067
Finance cost	8	(7,158)	(7,134)
Profit before income tax		11,919	13,933
Income tax charge	11	(2,290)	(2,516)
Profit for the financial year		9,629	11,417

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit for the financial year	9,629	11,417
Total comprehensive income for the year	9,629	11,417

Statement of Financial Position as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed Assets			
Property, plant and equipment	12	**95,293**	98,595
Current assets			
Trade and other receivables	13	**10,341**	8,992
Cash and cash equivalents		**-**	3,348
		10,341	12,340
Creditors- amounts falling due within one year			
Short term finance liabilities	16	**(120)**	-
Trade and other payables	14	**(67,818)**	(86,489)
Total current liabilities		**(67,938)**	(86,489)
Net current liabilities		**(57,597)**	(74,149)
Total assets less current liabilities		**37,696**	24,446
Non-current liabilities			
Deferred tax liabilities	15	**(9,180)**	(9,267)
Long term finance liabilities	16	**(3,324)**	-
Provisions for other liabilities and charges	17	**(7,516)**	(7,132)
Net assets		**17,676**	8,047
Equity			
Called up share capital	18	**1**	1
Retained earnings		**17,675**	8,046
Total shareholder funds		**17,676**	8,047

The financial statements on pages 11 to 27 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 SC213642

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

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance as at 1 January 2018	18	1	21,629	21,630
Profit for the year		-	11,417	11,417
Total comprehensive income for the financial year		-	11,417	11,417
Dividends			(25,000)	(25,000)
Total transactions with owners			(25,000)	(25,000)
Balance as at 31 December 2018		1	8,046	8,047

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance as at 1 January 2019	18	1	8,046	8,047
Profit for the year		-	9,629	9,629
Total comprehensive income for the financial year		-	9,629	9,629
Balance as at 31 December 2019		1	17,675	17,676

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

1 General information

Inner Dowsing Wind Farm Limited (the 'Company') is a company limited by shares incorporated and domiciled in Scotland.

The address of its registered office is:

Eversheds Sutherland (International) LLP
Melville Street
Edinburgh
Scotland
EH3 7PE

The principal place of business is:
Centrica Renewables O&M
North Quay
Grimsby
North East Lincolnshire
DN31 3SY

The principal activity of the Company is the operation of the Inner Dowsing wind farm.

2 Accounting policies

Basis of preparation

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements the Company has applied the exemptions available under FRS 101, in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of GLID Wind Farms TopCo Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 9 and 15 Financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value.

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

2 Accounting policies (continued)

Basis of preparation (continued)

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 Company.

The financial statements are prepared on the historical cost basis except for 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.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's parent GLID Wind Farms Topco Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the GLID Wind Farms Topco Limited group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of GLID Wind Farms Topco Limited, the company's directors have a reasonable expectation that the company will be able 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.

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.

Revenue recognition

Revenue relates to the sale of generated power and the associated Renewables Obligation Certificates ("ROCs") Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 depreciation of assets and operations and maintenance costs of the wind farm.

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 assesses 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 Company 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 Company, 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 Company 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 Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company 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 Company'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 Company 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 financial statements and on unused tax losses or tax credits in the Company. 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 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 it's carrying amount, the carrying amount of the asset is immediately reduced to its recoverable amount.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company 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.

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

2 Accounting policies (continued)

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning the wind farm at the end of its useful life, 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 Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company 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 company 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 Company'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.

Cash and cash equivalents

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

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

2 Accounting policies (continued)

Interest-bearing loans and other borrowings

All interest-bearing 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 Company's 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.

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.

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

3 New Accounting Standards (continued)

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	Remeasure-ment	IFRS 16 carrying amount at 1 January 2019
	£ 000	£ 000	£ 000
Property, plant and equipment	180,352	3,538	183,890
Lease liabilities	-	(3,538)	(3,538)
Total	**180,352**	**-**	**180,352**

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*		**7,910**
Recognition exemptions:		
Variable lease payments not recognised		(2,125)
Operating lease liabilities before discounting		**5,785**
Discounting using incremental borrowing rate		(2,247)
Total lease liabilities recognised under IFRS 16 at 1 January 2019		**3,538**

*Adjusted from £5,026,000. Prior year disclosure did not include inflation.

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 the group has changed the UEL to a maximum of 25 years for plant, machinery and decommissioning assets.

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

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of PP&E

The Company's wind farm assets comprise various property, plant and equipment. The Company 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 Company's revenue for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Sale of generated electricity and associated environmental credits	**36,476**	38,635

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

6 Operating Profit

	2019	2018
	£ 000	£ 000
Operating profit is stated after charging:		
Depreciation of tangible assets (note 12)	**6,771**	6,878
Depreciation of right-of-use assets (note 12)	**236**	-

7 Employee Costs

The Company had no employees and therefore no staff costs (2018: £nil). Any costs relating to staff or Directors seconded to the Company were borne by other group companies of their respective ultimate parent companies.

8 Finance cost

	2019	2018
	£ 000	£ 000
Interest on amounts owed to group undertakings	**6,711**	6,862
Interest expense for leasing arrangements	**230**	-
Unwinding of discount on decommissioning provision	**217**	272
Total finance cost	**7,158**	7,134

9 Directors' remuneration

The aggregate emoluments paid to directors in respect of their qualifying services were £nil (2018: £nil). Inner Dowsing Wind Farm Limited is a wholly-owned subsidiary of a company that is jointly controlled, and the Directors are nominated by the joint venture partners of its parent company. Accordingly, no emoluments are paid for their services to the venture.

10 Auditor's remuneration

Auditor's remuneration was £12,000 (2018: £12,000) and relates to fees for the audit of the financial statements provided to the Company.

11 Tax on profit

Tax charged in the income statement

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax at 19% (2018: 19%)	**2,377**	2,523
Adjustments in respect of prior periods	**-**	(101)
	2,377	2,422
Deferred taxation		
Current year - Origination and reversal of timing differences	**(87)**	94
Tax on profit on ordinary activities	**2,290**	2,516

Provision for deferred tax

	2019	2018
Movement in provision:		
Provision at start of period	**9,267**	9,173
Deferred tax charged in the income statement in the period	**(87)**	94
Provision at end of period	**9,180**	9,267

Tax charge for the year is higher (2018: lower) 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	2018
Reconciliation of tax charge	**£ 000**	£ 000
Profit before tax	**11,919**	13,933
Profit multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	**2,265**	2,647
Effects of:		
Adjustments in respect of prior years	**-**	(101)
Fixed asset differences	**41**	62
Recognition of deferred tax asset on deferred interest	**-**	(33)
Movement in decommissioning asset	**(26)**	(44)
Change in UK tax rates	**10**	(15)
Total Income tax charge / (credit)	**2,290**	2,516

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

12 Property, plant and equipment

	Land and buildings £ 000	Plant and machinery £ 000	Decommissioning asset £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	63	180,289	5,177	185,529
Adjustment on transition to IFRS 16	3,538	-	-	3,538
Revisions	-	-	167	167
At 31 December 2019	**3,601**	**180,289**	**5,344**	**189,234**
Accumulated Depreciation				
At 1 January 2019	-	83,752	3,182	86,934
Charge for the year	236	6,633	138	7,007
At 31 December 2019	**236**	**90,385**	**3,320**	**93,941**
Carrying amount				
At 31 December 2019	**3,365**	**89,904**	**2,024**	**95,293**
At 31 December 2018	63	96,537	1,995	98,595

Included in the above line items are right-of-use assets over the following:-

Land and Buildings - Seabed	**3,302**

13 Trade and other receivables

	2019 £ 000	2018 £ 000
Trade receivables	**2,402**	1,031
Accrued income	**7,482**	7,936
Prepayment	**457**	25
	10,341	8,992

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

14 Trade and other payables

	2019	2018
	£ 000	£ 000
Corporation tax	1,194	1,219
Amounts owed to group undertakings	64,851	82,543
Accrued expenses	447	400
VAT creditor	1,326	2,327
	67,818	86,489

On 4 November 2009, the Company received a secured loan of £149,600,000 from GLID Wind Farms TopCo Limited, its immediate parent undertaking. The outstanding balance at 31 December 2019 was £64,851,000 (2018: £82,543,000). The loan is repayable on demand and may be repaid by the Company at any time without penalty. The rate of interest is 9% per annum. GLID Wind Farms TopCo Limited, the parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that GLID Wind Farms TopCo Limited intends to support the Company for at least one year after the financial statements were authorised.

15 Deferred tax

	Balance sheet		Movement in period
	2019	2018	Income
	£ 000	£ 000	£ 000
Deferred tax liability			
PPE and intangible assets	10,147	10,174	(27)
Other taxable temporary differences	344	339	5
Total liabilities	10,491	10,513	(22)
Deferred tax asset			
Tax credit and loss carried forward	33	33	-
Provisions	1,278	1,213	65
Total assets	1,311	1,246	65
Net deferred tax liability/(asset)	9,180	9,267	(87)

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.

Deferred tax assets and liabilities are within the same tax jurisdiction and have been offset for financial reporting purposes.

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

16 Lease liabilities

	2019 £ 000	2018 £ 000
Long-term lease liabilities		
Seabed	(3,324)	-
Short-term lease liabilities		
Seabed	(120)	-
	(3,444)	-

The company has entered into a lease agreement with the Crown Estate to rent the seabed on which the windfarm is located. The lease is expected to be terminated in 2033 at the end of the useful life of the windfarm. Refer to Note 3 for further details.

17 Other provisions

Abandonment provision

	2019 £ 000	2018 £ 000
Decommissioning provision		
At 1 January	7,132	8,417
Additions/(revisions)	167	(1,557)
Unwind of discounting	217	272
At 31 December	7,516	7,132

Decommissioning provision

The decommissioning provision represents the future expected costs of decommissioning the company's wind farm at the end of it's useful economic life, 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 £8,069,000 (2018: £7,872,000) 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

18 Called up share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £ 000	2018 No.	2018 £ 000
Ordinary shares of £1 each	1	1	1	1

19 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

20 Related Party transactions

There were no related party transactions during the year.

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.

21 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is GLID Wind Farms TopCo Limited, a company registered in England and Wales and was the parent company of the smallest and largest group to consolidate these financial statements. Copies of the GLID Wind Farms TopCo Limited financial statements can be obtained from GLID Wind Farms TopCo Limited, Grimsby Operations Base, North Quay, Grimsby, North East Lincolnshire, DN31 3SY.
GLID Wind Farms TopCo Limited's immediate parent undertakings are 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 by virtue of a joint venture agreement.