Sober Hill Wind Farm Limited
Company Number: 05141483

Annual Report and Financial Statements
For the year ended 31 December 2016

Directors

S Pinnell
C Foreman
F d'Alonzo
S Jones

Secretary

S Gregory

Auditor

Ernst & Young LLP
Statutory Auditor
100 Barbirolli Square
Manchester
M2 3EY

Bankers

The Bank of Tokyo-Mitsubishi UFJ, Limited
Ropemaker Place
25 Ropemaker Street
London, EC2Y 9AN

Registered Office

Level 20
25 Canada Square
London
E14 5LQ

Strategic report

The Directors present the Strategic report of Sober Hill Wind Farm Limited (the Company) for the year ended 31 December 2016.

Principal activity

The principal activity of the Company is the generation of electricity at a wind farm. The Directors do not expect the current activities of the Company to change in the future.

Business review

The accompanying financial statements have been prepared in accordance with Financial Reporting Standard 101-Reduced Disclosure Framework (FRS 101) for both periods presented. The Company has taken advantage of the disclosure exemptions allowed under this standard. There were no material recognition or measurement differences arising on the adoption of FRS 101.

Power market fundamentals have remained weak during 2016 resulting in lower prices. Generation has been lower than forecast due to poor wind yields. The government announced in 2015 the closure of the climate change levy exemption for renewables, renewable energy generated after 1 August 2015 is no longer eligible to receive Levy Exemption Certificates (LECs).

During the year, the Company generated 30.9 GWh of electricity and achieved an average load factor of 28.6%. In the prior year the Company generated 36.5 GWh of electricity and achieved an average load factor of 34%. The Company's KPIs include maximising the reliability and availability to maximise the average load factor.

The results of the Company are as follows:

	31 December 2016 £'000	31 December 2015 £'000 Represented See note 1
Turnover	2,273	2,772
Cost of sales	(927)	(858)
Operating profit	1,009	1,531
Profit for the financial year after taxation	567	849

The results of the Company are set out in the profit and loss account on page 9 and show a profit on ordinary activities before taxation of £554,000 (2015: profit of £1,046,000) and a profit after taxation of £567,000 (2015: profit of £849,000).

The Directors approved payment of interim dividends as shown in note 9 on page 21.

Financial risk management objectives and policies

The Company finances its activities with a loan from its parent company and cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into foreign exchange forward contracts, the purpose of which is to manage currency exchange.

The Company's financial instruments therefore give rise to interest rate, credit, price and liquidity risk. Information on how these risks arise is set out below, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Strategic report (continued)

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as follows:

Liquidity and interest rate risk
The Company is partially financed by a group loan from its immediate parent company. The repayment schedule of the loan is flexible and interest has been charged on the loan at market rates. The Company has no third party debt. The Directors have had confirmation from the parent company that this loan will not be recalled during the twelve months from the signing of these financial statements.

Market risk
The key risks are wind availability, operational breakdown, wholesale electricity prices and legislative change. Wind availability and energy price volatility risk is mitigated where possible through rigorous project assessment and constant review of the forecast profitability of the project. The risk of operational breakdown is mitigated through ongoing maintenance support from the turbine manufacturer Senvion GmbH.

Credit risk
The credit risk from counterparties is assessed during negotiation of the Power Purchase Agreement (PPA) for the sale of all Renewable Obligation Certificates, energy and embedded benefits generated by the wind farm to the PPA counterparty, over the life of the PPA. The assessment identifies the form and value of credit support required from the counterparty and is stated within the terms and conditions of the PPA.

Employees

The Company had no employees (2015: none) and incurred no employee related costs in the financial year (2015: £nil). The UK renewables portfolio management costs, including staff costs, are charged as a single management cost from Engie UK Wind Services Limited to the Company's immediate parent undertaking Hayabusa Limited.

Events after the end of the reporting period

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Future developments

The future objective of the business is to maximise financial returns generated from the assets. The Directors do not expect this objective to change in the foreseeable future.

By order of the Board

Carl Foreman
Director
28 June 2017

Directors' report

The Directors present their report and audited financial statements of Sober Hill Wind Farm Ltd (the Company) for the year ended 31 December 2016.

Information disclosed in the Strategic report:

The following information has been disclosed in the Strategic report:

- Principal activities
- Business review
- Principal risks and uncertainties
- Employees
- Events after the end of the reporting period
- Future developments

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The Strategic report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. The Company's Directors have reviewed the repayment terms of the intercompany loan and future net cash flows, including sensitivities, of the wind farm which they consider sufficient to meet the current loan obligations. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The Directors who held office during the financial year and up to the date of this report were as follows:

C Foreman
S Pinnell
F d'Alonzo
S Jones

The company secretaries who held office during the financial year and up to the date of this report were:

H Berger	(Resigned 1 January 2016)
S Gregory	(Appointed 1 January 2016)

Directors' and officers' liability insurance

During the year ended 31 December 2016 ENGIE S.A. maintained insurance for the Directors S Pinnell and C Foreman whilst the Directors F d'Alonzo and S Jones were covered by a policy maintained by Equitix Limited. This insurance is used to indemnify them against certain liabilities which they may incur in their capacity as Directors or officers of the Company, including liabilities in respect of which the Company is itself unable to provide an indemnity by virtue of Section 232 of the Companies Act 2006 (2015: same).

Share capital

The Company's share capital comprises ordinary shares of £1 each which rank pari passu with each other in respect of all rights, including dividend, voting, and return of capital (2015: same).

Dividends

The Company paid interim dividends of £197,000 during the year (2015: £1,253,000). The Directors do not propose the payment of a final dividend for the year (2015: £nil).

Directors' report (continued)

Disclosure of information to the auditor

Ernst & Young LLP was appointed as the Company's statutory auditor for the year ended 31 December 2016. The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is 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.

Auditor

Pursuant to Section 485 of the Companies Act 2006, Ernst & Young LLP will be deemed to be appointed as the auditor.

By order of the Board

Carl Foreman
Director
28 June 2017

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

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

Independent auditor's report

to the members of Sober Hill Wind Farm Limited

We have audited the financial statements of Sober Hill Wind Farm Limited for the year ended 31 December 2016, which comprise the Profit and loss account, the Statement of Comprehensive Income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the members of Sober Hill Wind Farm Limited (continued)

Opinion on other matter 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.
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic report or Directors' report.

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

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

Ernst + Young LLP

Jennifer Hazlehurst (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester, UK
30 June 2017

Profit and loss account

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000 Represented See note 1
Turnover		2,273	2,772
Cost of sales		(927)	(858)
Gross profit		1,346	1,914
Administrative expenses		(337)	(383)
Operating profit	3	1,009	1,531
Interest payable and similar charges	7	(455)	(485)
Profit on ordinary activities before taxation		554	1,046
Tax credit / (charge) on profit on ordinary activities	8	13	(197)
Profit for the financial year		567	849

All realised profits arise as a result of continuing operations.

There was no other comprehensive income attributable to the shareholders of the Company other than the profit for the financial year ended 31 December 2016 of £567,000 (2015: £849,000), as such a separate Statement of comprehensive income has not been prepared.

The notes on pages 12 to 26 form part of these financial statements.

Balance sheet

as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	10	14,349	15,007
		14,349	15,007
Current assets			
Debtors -			
- due within one year	11	1,492	1,639
- due after one year	12	30	30
Cash at bank and in hand		297	171
Total current assets		1,819	1,840
Total assets		16,168	16,847
Current liabilities			
Creditors: amounts falling due within one year	13	(1,276)	(1,323)
Net current assets		543	517
Total assets less current liabilities		14,892	15,524
Creditors: amounts falling due after more than one year	14	(13,208)	(14,144)
Provisions for liabilities and charges	15	(1,035)	(1,101)
Net assets		649	279
Capital and reserves			
Called up share capital	17	-	-
Retained earnings		649	279
Equity shareholder's funds		649	279

The notes on pages 12 to 26 form part of these financial statements.

The financial statements of Sober Hill Wind Farm Limited, registered number 05141483, were approved and authorised for issue by the Board of Directors on 28 June 2017 and signed on its behalf by:

S Pinnell

Director

Statement of changes in equity

for the year ended 31 December 2016

	Note	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015		-	683	683
Total comprehensive income		-	849	849
Dividends	9	-	(1,253)	(1,253)
At 31 December 2015		-	279	279
At 1 January 2016		-	279	279
Total comprehensive income		-	567	567
Dividends	9	-	(197)	(197)
At 31 December 2016		-	649	649

The notes on pages 12 to 26 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2016

1. General information

Sober Hill Wind Farm Limited (the Company) is a private limited company incorporated and domiciled in the United Kingdom. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 and 3.

These financial statements are separate financial statements. The Company's results are included in the group accounts of Hayabusa Limited. The group accounts of Hayabusa Limited are available to the public and can be obtained from Level 20, 25 Canada Square, London, E14 5LQ.

Prior year representation

Management has identified that industry credits had been previously netted off within cost of sales as opposed to recognised within revenue. On further consideration management has concluded that these elements represent additional income based on power generation and so should be recognised within revenue. As a consequence the prior year comparative has been amended. The impact of this in 2015 was to increase turnover by £85,000 and increase cost of sales by £85,000.

As this has no impact on the opening balance sheet of Sober Hill Wind Farm Limited, management has not prepared a third balance sheet.

2. Accounting policies

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

2.1 Basis of preparation

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The Strategic report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. The Company's Directors have reviewed the repayment terms of the intercompany loan and future net cash flows, including sensitivities, of the wind farm which they consider sufficient to meet the current loan obligations. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100), as issued by the Financial Reporting Council. The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and in accordance with applicable accounting standards. These financial statements have also been prepared on the going concern basis, and under historical cost convention.

As permitted by FRS 101, the Company has taken advantage of disclosure exemptions from applying the following requirements under that standard in relation to:

i. financial instruments as required by IFRS 7 'Financial Instruments: Disclosures';

ii. financial instruments valuation techniques and inputs used for fair value measurement as required by paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;

iii. the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of property, plant and equipment (paragraph 73(e) of IAS 16 Property, Plant and Equipment);

iv. the requirements of IAS 7 Statement of Cash Flows to present a statement of cash flows for the period and the disclosure of cash flow information;

v. the IAS 1 paragraph 16 requirement to state the compliance with all the requirements of IFRSs;

vi. the IAS 1 paragraphs 134 to 136 requirement to disclose the entity's objectives, policies and processes for managing capital;

Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

vii. the requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors to disclose when an entity has not applied a new IFRS that has been issued but is not yet effective; and

viii. the requirements in IAS 24 Related Party Disclosures for related party transactions entered into between two or more members of a group, and the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures (key management compensation).

Adoption of new and revised Standards

The Company adopted FRS 101 for the first time in the prior year. As part of this adoption, the Company applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. These comprise: Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets, amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting, IFRIC 21 Levies, and amendments to IAS 32 Offsetting financial assets and financial liabilities. Their adoption did not have any impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRSs in issue but not yet effective

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

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective date 31 December 2017) – Management is still considering the impact of this new standard.
- IFRS 15 revenue from Contracts with Customers (effective date 31 December 2018) – Management is still considering the impact of this new standard.
- IFRS 9 Financial Instruments recognition and measurement – Replacing IAS 39 (effective date 31 December 2018) – Management is still considering the impact of this standard and is as yet unable to quantify its likely impact.
- IFRS 16 Leases (effective date 31 December 2019) – Management is still considering the impact of this new standard and is as yet unable to quantify its likely impact.

At the date of authorisation of these financial statements, the Company has not applied new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU.

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.2 Judgements and key sources of estimation uncertainty (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 disclosed below:

Critical accounting judgements and key sources of estimation uncertainty

The following are critical judgments that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- *Income and deferred tax provisions*

The Company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

- *Decommissioning provision*

The Company estimates the likely cost of removing the power plant and making good the damage to the site where a contractual decommissioning and restoration obligation exists. The provision reflects the present value (based on an appropriate discount rate), at the balance sheet date of the decommissioning liability.

- *Recoverability of tangible fixed assets*

Management have made key assumptions regarding the future technical availability of the wind farm, electricity prices and the UK inflationary environment which directly impact the future economic benefits to be derived from the tangible fixed assets. Changes in these assumptions may affect the estimated useful lives and residual value of the wind farm and other tangible fixed assets. The Company reviews these estimates at each financial period end and also tests for impairment at least once a year or when a trigger event occurs if sooner. Management expect the future economic benefits that will result from the use of the tangible fixed assets will exceed the costs of the investments and thus the costs of the tangible fixed assets are recoverable.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.3 Significant accounting policies

(a) Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover is solely derived within the UK from its sole revenue stream of the supply of electricity and renewable obligation certificates generated in the normal course of business excluding discounts, VAT and other sales related taxes. Turnover is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on supply of energy to the customer.

(b) Interest expense

Interest expense is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. Interest on loan amounts used for capital expenditure are capitalised according to the nature of the capital expenditure.

(c) Operating leases

Leases where the Company is the lessee, and the lessor maintains a significant portion of the risks and rewards related to ownership of the fixed asset are recorded as operating leases. Fixed lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the life of the lease. Where lease payments are contingent, for example on power output, the rent is recognised as an expense in the profit and loss account when the contingency is resolved, for example when the level of power output in the period is known.

(d) Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(e) Foreign currencies

In preparing the financial statements, transactions in foreign currencies are translated into the functional currency (Pounds Sterling) using the exchange rates prevailing at the dates of the individual transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate ruling at the reporting date are recognised in the profit and loss account. Non-monetary assets and liabilities are not carried at fair value, are not subsequently restated and are carried at the rate of exchange at the date they are acquired (historical costs).

(f) Sales tax

Turnover, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Debtors and creditors that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of debtors or creditors in the balance sheet.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

(g) Income taxes

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in the Company's profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

In accordance with IAS 12 *Income taxes*, Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred incomes taxes relate to the same fiscal authority.

(h) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount of that obligation has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Where contractually obliged, the Company creates provisions for the decommissioning of the wind farm and environmental restoration. The decommissioning and restoration provisions reflect the present value, at the balance sheet date, of the estimated cost. The provisions are reviewed at each balance sheet dates and are adjusted to reflect the present value of the expense expected to be realised for the settlement of the liability.

The future cost is recognised in the balance sheet as a decommissioning asset by creating an increase in the tangible fixed assets. The depreciation expenses of capitalised decommissioning and restoration costs are included in the profit and loss account together with the depreciation charge on the wind farm's fixed assets. Any change in estimation in the estimated cost or the discount rate are added or deducted from the fixed asset's cost. The discounting effect on the provision is recorded in the profit and loss account as a finance cost.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

(i) Tangible fixed assets

Tangible fixed assets are recognised at historical cost less any accumulated depreciation and any accumulated impairment losses. Costs related to assets under construction are capitalised where, in the opinion of the Directors, the related project is highly likely to be successfully developed and the economic benefits arising from future operations will exceed the amount of capitalised expenditure incurred to date and the cost can be measured reliably. Costs incurred prior to meeting the criteria for capitalisation are recorded as an expense within operating costs in the profit and loss account. Loan costs which are directly attributable to assets under construction and which meet the criteria in IAS 23 are capitalised as part of the cost of those assets. Capitalisation ceases when the asset is fully operational.

Depreciation is provided on all tangible fixed assets, other than land and assets in the course of construction, which are depreciated from the date that they are commissioned, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight-line basis over its useful life. In accordance with the components approach, each significant component of an item of property, plant and equipment with a different useful life from that of the main asset to which it relates is depreciated separately over its own useful life.

Tangible fixed assets are depreciated on a straight-line basis over their useful lives as follows:

- Generation assets - 25 years
- Decommissioning asset - 25 years

Depreciation commences when the asset is ready for its intended use. The residual values, if not insignificant, and remaining useful lives are reassessed at each balance sheet date. When parts of an item of tangible fixed assets have different useful lives, those components are accounted for as separate classes of tangible fixed assets. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of tangible fixed assets are determined by comparing the proceeds received with the carrying amount and are recognised within fixed asset disposals in the profit and loss account.

(j) Loans and loan costs

All loans are initially recognised at the fair value of the consideration received net of issue costs associated with the loan. Loans are subsequently stated at amortised costs; whereby the carrying amount of the loan is increased by the finance cost incurred in respect of the accounting period and reduced by any cash payments made in the period.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Loan costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use, whereas other loan costs are expensed.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

(k) Trade and other debtors

Trade debtors, which generally have 14-120 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, debtors are carried at amortised cost. A provision for impairment of trade debtors is made when there is objective evidence that the Company will not be able to recover all amounts due according to the original terms of the debtor. Balances are written off when the probability of recovery is assessed as being remote and the amount of the loss is recognised in the profit and loss account within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the profit and loss accounts.

(l) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors 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 creditors are recognised initially at fair value (transaction price) and subsequently measured at amortised cost using the effective interest method.

(m) Cash at bank and in hand

Cash at bank and in hand and short-term deposits in the balance sheet comprises cash on hand, deposits held at call with banks and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(n) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

(o) Operating Profit

Operating profit is stated before interest income and interest payable.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

3. Operating profit

This is stated after charging:

	2016 £'000	2015 £'000
Depreciation of owned assets	658	657
Fees paid to the Company's auditor for the audit of the financial statements	5	5
Operating lease rentals - land and buildings	115	165

4. Auditor's remuneration

Fees payable to the auditors for the statutory audit of the Company's financial statements were £4,500 (2015: £4,500). These fees are paid centrally through International Power Limited then recharged to each Company.

No non-audit fees were payable in the year ended 31 December 2016 (2015: £nil).

5. Directors' remuneration

The Directors did not receive any fees or emoluments from the Company during the year (2015: £nil) directly attributable to their position within the Company. All Directors' fees or emoluments were paid by International Power Limited and Equitix Limited and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated (2015: same).

6. Staff costs

The Company had no employees during the current or prior year.

7. Interest payable and similar charges

	2016 £'000	2015 £'000
Interest paid to group undertakings	423	455
Interest paid to other related parties	20	19
Unwinding of discount on decommissioning provision	12	11
Total interest expense	455	485

Notes to the financial statements

for the year ended 31 December 2016 (continued)

8. Tax on profit on ordinary activities

The tax (credit) / charge comprises:

	2016 £'000	2015 £'000
Tax Charge		
Current income tax:		
UK corporation tax on profits of the year	65	149
Adjustments in respect of previous years	-	(95)
Total current income tax	65	54
Deferred tax: (note 16)		
Deferred income tax relating to the origination and reversal of temporary differences	(78)	143
Tax (credit) / charge in the profit and loss	(13)	197

The Company earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the average standard rate for UK corporation tax, currently 20% (2015: 20.25 %).

The (credit) / charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2016 £'000	2015 £'000
Reconciliation of tax charge		
Profit before tax	554	1,046
Profit multiplied by rate of corporation tax of 20% (2015: 20.25%)	111	212
Adjustments in respect of prior years – current tax	-	(95)
Adjustments in respect of prior years – deferred tax	(89)	159
Tax effect of non-deductible or non-taxable items	2	2
Change in deferred tax rate	(37)	(81)
Tax (credit) / charge in the profit and loss	(13)	197

Notes to the financial statements

for the year ended 31 December 2016 (continued)

9. Dividend paid

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2016 of 197,000p per share (2015: 1,253,000p per share)	197	1,253
	197	1,253

The Directors do not propose a final dividend (2015: £nil).

10. Tangible fixed assets

	Decommissioning asset £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2016	428	15,997	16,425
Additions	-	-	-
At 31 December 2016	428	15,997	16,425
Accumulated depreciation			
At 1 January 2016	40	1,378	1,418
Charge for the year	17	641	658
At 31 December 2016	57	2,019	2,076
Net book amount			
At 31 December 2016	371	13,978	14,349
At 31 December 2015	388	14,619	15,007

Plant and machinery includes interest capitalised during construction. The net book value of the capitalised interest at the balance sheet date is £437,000 (2015: £452,000).

A decommissioning provision has been recognised for the costs of decommissioning the wind farm. An average inflation rate of 3.2% (2015: 3.2%) has been applied to these costs and then discounted back to their net present value at a rate of 2.6% (2015: 2.6%).

The remaining useful economical life of the wind farm is 22 years.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

11. Debtors due within one year

	2016 £'000	2015 £'000
Prepayments	131	114
Accrued income	447	635
Corporation tax receivable	45	
Amounts owed by group undertakings	869	890
	1,492	1,639

12. Debtors due after one year

	2016 £'000	2015 £'000
Other debtors	30	30
	30	30

13. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	222	46
Amounts owed to group undertakings - debt	936	907
Amounts owed to group undertakings - other	4	163
Accrued liabilities	96	134
Corporation tax payable	-	18
Other taxation and social security	18	55
	1,276	1,323

Amounts owed to Hayabusa Limited are unsecured, subject to floating interest rates of LIBOR plus interest margin currently at 2.15% and are repayable bi-annually in June and December.

14. Creditors due after one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings	13,208	14,144
	13,208	14,144

Debt can be analysed as falling due:	2016 £'000	2015 £'000
Within one year (note 13)	936	907
Between one and two years	969	936
Between two and five years	3,007	2,930
After five years	9,232	10,278

Amounts owed to Hayabusa Limited are unsecured, subject to floating interest rates of LIBOR plus interest margin currently at 2.15% and are repayable bi-annually in June and December.

Notes to the Financial Statements

for the year ended 31 December 2016 (continued)

15. Provisions for liabilities and charges

	Decommissioning £'000	Deferred taxation £'000	Total £'000
At 1 January 2016	460	641	1,101
Arising during the year	12	(78)	(66)
At 31 December 2016	472	563	1,035

A decommissioning provision has been recognised for the costs of decommissioning the wind farm. An average inflation rate of 3.2% has been applied to these costs and then discounted back to their net present value at a rate of 2.6%

16. Deferred tax

An analysis of the movements in deferred tax is as follows:

	2016 £'000	2015 £'000
Deferred tax liability at 1 January	641	498
Deferred tax (credit) / charge in profit and loss account for the year (note 8)	(78)	143
Deferred tax liability at 31 December	563	641

Analysed as:	2016 £'000	2015 £'000
Other short-term temporary differences	563	641
	563	641

17. Share capital

	2016 £	2015 £
Authorised, issued and called up share capital		
100 ordinary share of £1 each	100	100

Notes to the financial statements

for the year ended 31 December 2016 (continued)

18. Operating lease arrangements

The Company as lessee

	2016 £'000	2015 £'000
Lease payments under operating leases Recognised as an expense in the year	115	165

The land rentals payable are a combination of fixed and variable elements linked to the level of future income from electricity generation.

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	52	52
In the second to fifth years inclusive	207	207
After five years	989	1,041
	1,248	1,300

Operating lease payments represent minimum rentals payable by the Company for the wind farm at North Newbald, East Riding, Yorkshire, YO43 4TF. Leases are negotiated for an average term of 27 years.

19. Financial commitments

	2016 £'000	2015 £'000
Contracted for but not provided for – other:		
Within one year	25	25
In the second to fifth years inclusive	99	99
After five years	424	449
	548	573

Notes to the financial statements

for the year ended 31 December 2016 (continued)

20. Related party transactions

As at 31 December 2016 and 31 December 2015, the Company was a wholly owned subsidiary of Hayabusa Limited which is a joint venture of Hayabusa Holdings Limited and Equitix Hayabusa 3 Limited. Hayabusa Holdings Limited is wholly owned by the International Power Limited Group. International Power Limited is wholly owned by ENGIE S.A. (a Company registered in France) formerly GDF Suez S.A.

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

During the year and prior year, the Company carried out a number of transactions in the normal course of business with the following related parties:

International Power Limited

ENGIE Power Limited

The aggregate of the transactions are shown below:

	Turnover		Audit fees		Interest payable	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	£'000	**£'000 Represented See note 1**	**£'000**	**£'000**	**£'000**	**£'000**
International Power Limited	-	-	(5)	(5)	-	-
ENGIE Power Limited	2,273	2,772	-	-	(20)	(19)

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
ENGIE Power Limited	104	63	-	-

21. Controlling party

The Company's immediate parent undertaking is Hayabusa Limited, a Company registered in England and Wales, the registered address of which is Level 20, 25 Canada Square, London, E14 5LQ, United Kingdom.

The Directors consider the Company's ultimate parent undertaking and controlling party to be Hayabusa Limited which is incorporated in England and Wales and is registered at Level 20, 25 Canada Square, London, E14 5LQ. Hayabusa Limited is jointly controlled by Hayabusa Holdings Limited and Equitix Hayabusa 3 Limited. The largest and smallest group in which the results of the Company were consolidated for the year ended 31 December 2016 was that headed by Hayabusa Limited. Copies of its consolidated financial statements may be obtained from its registered office at Level 20, 25 Canada Square, London, E14 5LQ, United Kingdom.

Notes to the financial statements

for the year ended 31 December 2016 (continued)

22. Non adjusting events after the financial period

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.