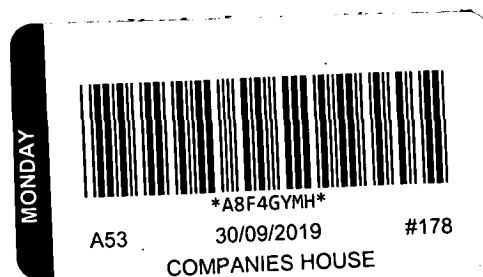


Capel Grange Solar Energy Limited

Company Number: 08745852

Annual Report and Financial Statements

For the year ended 31 December 2018



Directors

R Tate
C Foreman
A Garner

Secretary

S Gregory

Auditor

Ernst & Young LLP
Statutory Auditor
2 St Peter's Square
Manchester
M2 3EY

Bankers

HSBC Bank plc
22 High Street
Mold
CH7 1AR

Registered Office

Mynydd Awel
Mold Business Park
Maes Gwern
Mold
CH7 1XN

Strategic report

The Directors present the Strategic report of Capel Grange Solar Energy Limited (the Company) for the year ended 31 December 2018.

Principal activity

The principal activity of the Company is the generation of electricity at a solar photovoltaic 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.

The construction of the ground-mounted solar photovoltaic farm in Tonbridge, Kent was completed in March 2016 and commercial operations commenced on 16 June 2016.

Power market fundamentals continued to improve during 2018 resulting in higher prices. During the year the Company generated 5 GWh of electricity (2017: 5 GWh) and achieved an average performance ratio of 86.0% (2017: 87.4%). The Company's KPIs include maximising the reliability and availability to maximise the average performance ratio.

The results of the Company are as follows:

	31 December 2018 £'000	31 December 2017 £'000
Turnover	669	553
Cost of sales	(249)	(249)
Operating profit	330	177
Profit for the financial year after taxation	189	44

The results of the Company are set out in the Statement of Total Comprehensive Income on page 10 and show a profit on ordinary activities before taxation of £231,000 (2017: £75,000) and a profit after taxation of £189,000 (2017: £44,000).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £nil).

Finance risk management objectives and policies

The Company finances its activities with a loan from ENGIE CC SCRL/CVBA 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 ENGIE CC SCRL/CVBA. 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 reviewed the repayment terms of the intercompany loan which state that repayment will not be required until the Company has sufficient funds.

Market risk

The key risks are light availability, operational breakdown, wholesale electricity prices and legislative change. Light 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 solar photovoltaic manufacturer ENGIE Fabricom NV/SA.

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 (2017: none) and incurred no employee related costs in the financial year (2017: £nil).

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



A Garner

Director

23 September 2019

Directors' report

The Directors present their report and audited financial statements of Capel Grange Solar Energy Ltd (the Company) for the year ended 31 December 2018.

Information disclosed in the Strategic report:

The following information has been disclosed in the Strategic report:

- Principal activities
- Business review
- Finance risk management objectives and policies
- Principal risks and uncertainties
- Employees
- Events after the end of the reporting period
- Future developments

Going concern

The Company's 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 principle 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 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:

R Tate
C Foreman
A Garner

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

S Gregory

Directors' and officers' liability insurance

During the year ended 31 December 2018, ENGIE S.A. maintained insurance for the Directors. 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 (2017: 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 (2017:same).

Dividends

The Company made no interim dividend payments during the year (2017: £nil). The Directors do not propose the payment of a final dividend for the year (2017: £nil).

Directors' report (continued)

Disclosure of information to the auditor

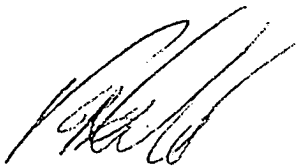
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself 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



R Tate

Director

23 September 2019

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 Capel Grange Solar Energy Limited

Opinion

We have audited the financial statements of Capel Grange Solar Energy Limited for the year ended 31 December 2018 which comprise the Statement of Total Comprehensive Income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 19, 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent auditor's report

to the members of Capel Grange Solar Energy Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 directors' report.

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

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

Responsibilities of directors

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.

Independent auditor's report

to the members of Capel Grange Solar Energy Limited (continued)

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 <https://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.

Ernst & Young LLP

Anne Wong (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

27 September 2019

Statement of Total Comprehensive Income
for the year ended 31 December 2018

		2018	2017
	Note	£'000	£'000
Turnover		669	553
Cost of sales		(249)	(249)
Gross profit		<u>420</u>	<u>304</u>
Administrative expenses		(90)	(127)
Operating profit	3	<u>330</u>	<u>177</u>
Interest payable and similar charges	7	(99)	(102)
Profit on ordinary activities before taxation		<u>231</u>	<u>75</u>
Taxation on profit on ordinary activities	8	(42)	(31)
Profit for the financial year		<u><u>189</u></u>	<u><u>44</u></u>

All realised profits arise as a result of continuing operations.

The notes on pages 13 to 28 form an integral part of these financial statements.

Balance sheet

as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	9	4,169	4,364
Current assets			
Debtors	10	178	124
Cash at bank and in hand		1,341	1,402
Total current assets		1,519	1,526
Current liabilities			
Creditors: amounts falling due within one year	11	(226)	(495)
Net current assets		1,293	1,031
Total assets less current liabilities		5,462	5,395
Creditors: amounts falling due after more than one year	12	(1,595)	(1,759)
Provisions for liabilities and charges	13	(79)	(37)
Net assets		3,788	3,599
Capital and reserves			
Called up share capital	14	-	-
Share premium	14	3,702	3,702
Retained earnings		86	(103)
EQUITY SHAREHOLDER'S FUNDS		3,788	3,599

The notes on pages 13 to 28 form an integral part of these financial statements.

The financial statements of Capel Grange Solar Energy Limited, registered number 08745852, were approved and authorised for issue by the Board of Directors on 23 September 2019 and signed on its behalf by:



R Tate
Director

Statement of changes in equity
for the year ended 31 December 2018

	Note	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017		-	3,702	(147)	3,555
Total comprehensive income		-	-	44	44
At 31 December 2017		-	3,702	(103)	3,599
Total comprehensive income		-	-	189	189
At 31 December 2018		-	3,702	86	3,788

The notes on pages 13 to 28 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2018

1. General information

Capel Grange Solar Energy 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.

The Directors consider the Company's ultimate parent undertaking and controlling party to be International Power Consolidated Holdings Limited which is incorporated in England and Wales and is registered at Level 20, 25 Canada Square, London, E14 5LQ. International Power Consolidated Holdings Limited is controlled by International Power Limited, copies of its consolidated financial statements are available from Level 20, 25 Canada Square, London, E14 5LQ.

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 periods presented, unless otherwise stated.

2.1 Going concern

The Company's 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 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.

2.2 Basis of preparation

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;
- 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).

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.2 Basis of preparation (continued)

Adoption of new and revised standards

During the year the company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of the adoption of these new standards are listed below

•IFRS 15 Revenue from contracts with customers (effective date 1 January 2018)

IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations and applies, with limited exceptions, to all revenues arising from contracts with customers. The company has adopted IFRS 15 using a modified retrospective approach of adoption with the date of the initial application being 1 January 2018. The company's revenue streams are not considered particularly complex in nature and revenue will continue to be recognised once the control of goods and services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange of the goods provided. The adoption of this standard has not resulted in any material effect due to there being no difference in performance obligations, the timing of recognition or measurement, and there is no restatement of the comparative information.

•IFRS 9 Financial Instruments recognition and measurement (effective date 1 January 2018)

IFRS 9 Financial Instruments replaces IAS 39 Financial instruments: Recognition and Measurement. The company has applied IFRS 9 prospectively, with an initial application date of 1 January 2018. Management has completed an exercise for the ENGIE Group, which has not identified any significant differences. A separate exercise has been performed from a statutory perspective in order to assess any expected credit losses. The adoption of this standard has not resulted in material effect to these financial statements due to there being no differences in the timing of recognition or measurement, and there is no restatement of the comparative information.

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, 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.

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:

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.3 Judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements and key sources of estimation uncertainty

The following are critical judgements 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.

- *Recoverability of tangible fixed assets*

Management have made key assumptions regarding the future technical availability of the solar 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 solar 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.

- *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.

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.4 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 represents amounts receivable for goods provided in the normal course of business excluding discounts, VAT and other sales related taxes. Turnover from the sale of goods 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 on an amortised cost basis 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).

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(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.

(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.

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(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 solar 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 solar 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.

(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:

- Plant and machinery - 25 years
- Plant and machinery - solar inverter - 20 years
- Decommissioning asset - 25 years

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(i) Tangible fixed assets (continued)

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.

(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.

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(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, interest payable and the change in fair value of derivative financial instruments.

(p) Derivative financial instrument and hedging

The company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk. Further detail of these derivative financial instruments are disclosed in notes 8 and 16.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

3. Operating profit

This is stated after charging:

	2018 £'000	2017 £'000
Depreciation of owned assets	195	194
Fees paid to the Company's auditor for the audit of the financial statements	5	5
Operating lease rentals – land and buildings	33	32
	<u> </u>	<u> </u>

4. Auditor's remuneration

Fees payable to the auditors for the statutory audit of the Company's financial statements were £4,837 (2017: £4,850).

No non-audit fees were payable in the year ended 31 December 2018 (2017: £nil).

5. Directors' remuneration

The Directors did not receive any fees or emoluments from the Company during the year (2017: £nil) directly attributable to their position within the Company as the services provided to the Company were inconsequential to their other roles (2017: same).

6. Staff costs

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

7. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest paid to group undertakings	89	92
Interest paid to other related parties	10	10
	<u> </u>	<u> </u>
	99	102
	<u> </u>	<u> </u>

Notes to the financial statements

for the year ended 31 December 2018 (continued)

8. Tax on profit on ordinary activities

The tax charge comprises:

	2018 £'000	2017 £'000
Current income tax:		
UK corporation tax on profit of the year	-	(12)
Adjustments in respect of previous years	-	38
	<u>-</u>	<u>26</u>
Total current income tax		
	-	26
Deferred tax: (note 13)		
Deferred income tax relating to the origination and reversal of temporary differences	42	5
	<u>42</u>	<u>5</u>
Tax charge in the profit and loss	<u><u>42</u></u>	<u><u>31</u></u>

The applicable statutory tax rate for the current period is 19%. The prior year rate of 19.25% represents a weighted average rate based on 20% applicable for the three months to 31 March 2017, and 19% applicable from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017, which received Royal Assent on the 27 April 2017. These include reductions to the main rate to reduce to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and therefore recognised in these financial statements at 17%.

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

	2018 £'000	2017 £'000
Reconciliation of tax charge		
Profit before tax	231	75
	<u>231</u>	<u>75</u>
Profit multiplied by rate of corporation tax of 19% (2017: 19.25%)	44	14
Adjustments in respect of prior years – current tax	-	38
Adjustments in respect of prior years – deferred tax	2	-
Tax effect of non-deductible or non-taxable items	(4)	(21)
	<u>42</u>	<u>31</u>
Tax charge in the profit and loss	<u><u>42</u></u>	<u><u>31</u></u>

Notes to the financial statements
for the year ended 31 December 2018 (continued)

9. Tangible fixed assets

	Plant and machinery
	£'000
Cost	
At 1 January 2018	4,664
Additions	-
	<hr/>
At 31 December 2018	4,664
	<hr/>
Accumulated depreciation	
At 1 January 2018	300
Charge for the year	195
	<hr/>
At 31 December 2018	495
	<hr/>
Net book amount	
At 31 December 2018	4,169
	<hr/> <hr/>
At 31 December 2017	4,364
	<hr/> <hr/>

Plant and machinery includes interest capitalised during construction. The net book value of the capitalised interest at the balance sheet date is £38,300 (2017: £40,000).

The remaining useful life of the solar farm is 23 years.

10. Debtors due within one year

	2018	2017
	£'000	£'000
Amounts owed by group undertakings	36	29
Corporation tax recoverable	33	22
Prepayments and accrued income	109	73
	<hr/>	<hr/>
	178	124
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

for the year ended 31 December 2018 (continued)

11. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	16	51
Amounts owed to group undertakings - debt	164	144
Amounts owed to group undertakings - other	-	259
Taxation and social security	35	28
Accrued liabilities	11	13
	<u>226</u>	<u>495</u>

Amounts owed to ENGIE CC are unsecured, subject to floating rates of 4.08% interest plus LIBOR GBP 6 months and are paid bi-annually in June and December.

12. Creditors due after one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	1,595	1,759
	<u>1,595</u>	<u>1,759</u>

Debt can be analysed as falling due:

	2018 £'000	2017 £'000
Within one year (note 11)	164	144
Between one and two years	186	164
Between two and five years	775	669
After five years	634	926

Amounts owed to ENGIE CC are unsecured, subject to floating rates of 4.08% interest plus LIBOR GBP 6 months and are paid bi-annually in June and December.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

13. Provisions for liabilities and charges

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

	2018 £'000	2017 £'000
Deferred tax liability at 1 January	37	32
Deferred tax charge in profit and loss account for the year (note 8)	42	5
	<u>79</u>	<u>37</u>
Deferred tax liability at 31 December	<u>79</u>	<u>37</u>
Analysed as:	2018 £'000	2017 £'000
Other short-term temporary differences	-	-
Accelerated capital allowances	83	60
Tax losses	(4)	(23)
	<u>79</u>	<u>37</u>

14. Share capital and share premium called

	2018 £	2017 £
<i>Authorised, issued and called up share capital</i>		
104 ordinary share of £1 each	104	104
Share premium called	<u>3,702,197</u>	<u>3,702,197</u>

Notes to the financial statements

for the year ended 31 December 2018 (continued)

15. Operating lease arrangements

The Company as lessee

	2018 £'000	2017 £'000
Lease payments under operating leases recognised as an expense in the year	33	32

As at 18 December 2015, the Company was committed to making land rental payments under a non-cancellable operating lease.

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

	2018 £'000	2017 £'000
Within one year	34	34
In the second to fifth years inclusive	138	134
After five years	619	637
	<u>791</u>	<u>805</u>

Operating lease payments represent minimum rental payable by the Company for the solar photovoltaic farm at Tonbridge, Kent, based on the acreage of the farm. Additional revenue payments will be applicable as a percentage of the gross revenue over and above the minimum rent paid. The percentage is 5% of gross revenue from the commencement date of 18 December 2015 rising to 6% on 18 December 2025 until the end of the term. The term of the lease is 26 years.

16. Financial commitments

	2018 £'000	2017 £'000
Contracted for but not provided for – other:		
Within one year	5	5
In the second to fifth years inclusive	21	21
After five years	101	103
	<u>127</u>	<u>129</u>

Notes to the financial statements

for the year ended 31 December 2018 (continued)

17. Related party transactions

As at 31 December 2018 the Company was indirectly wholly owned by International Power Limited which is incorporated in England and Wales and is registered at Level 20, 25 Canada Square, London, E14 5LQ. International Power Limited is wholly owned by ENGIE S.A. (a Company registered in France) formerly GDF Suez S.A.

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:

ENGIE Power Limited

ENGIE CC SCRL/CVBA (formerly GDFS CC (B))

ENGIE Fabricom NV/SA (formerly Cofely Fabricom NV/SA)

International Power Limited

The aggregate of the transactions and the year end balances with these related parties are shown below:

	Turnover		Energy charges		Interest payable	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Engie Power Ltd	669	553	(4)	(6)	(10)	(10)
Engie CC	-	-	-	-	(89)	(91)

	Maintenance costs		Bank fees	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Engie Fabricom sa/nv	(50)	(49)	-	-
International Power Ltd	-	-	(1)	(1)

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
ENGIE Power Limited	36	29	-	-
ENGIE Fabricom sa/nv	-	-	15	274
ENGIE CC SCRL/CVBA	-	-	1,759	1,903

Notes to the financial statements

for the year ended 31 December 2018 (continued)

18. Controlling party

As at 31 December 2018 the Company was 100% owned by International Power Consolidated Holdings Limited. International Power Consolidated Holdings Limited was controlled by International Power Limited.

The Directors consider the Company's ultimate parent undertaking and controlling party to be ENGIE S.A. (formerly GDF Suez S.A.) a Company registered in France. The largest and smallest group in which the results of the Company were consolidated for the year ended 31 December 2018 was that headed by ENGIE S.A. Copies of its consolidated financial statements are available from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France.

19. Non adjusting events after the financial year

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.