Registered Number: 06636160

Cairnborrow Wind Energy Limited

Annual Report and Financial Statements

For the year ended 31 December 2018

Registered No. 06636160

Officers and Professional Advisers

Directors

A Garner
F d'Alonzo
C Foreman
D Vermeer

Company 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, Flintshire
CH7 1AR

Registered Office

Mynydd Awel
Mold Business Park
Maes Gwern
Mold, Flintshire
CH7 1XN
United Kingdom

Registered No. 06636160

Strategic Report

The Directors present the Strategic Report on the affairs of Cairnborrow Wind Energy Limited together with the audited financial statements for the year ended 31 December 2018.

Principal activities, review of the business and future developments

The principal activity of the Company is the management and operating activities associated with the generation of electricity at the wind farm. The Directors do not expect the current activities of the company to change in the future.

The Directors intend for the company to continue to operate the wind farm at Cairnborrow, Aberdeenshire. The construction of the wind farm progressed in advance of the planned construction programme, with completion achieved on 23 January 2017. Operational performance to date is in line with managements' expectations.

On 27 November 2018, 100% of the share capital of the company was purchased by Cairnborrow Wind Energy Holdings Limited, in a share for share exchange with International Power Consolidated Holdings Limited and Equitix MA Infrastructure Limited.

The Company made a profit before tax of £864,087 (2017: £542,390). The Company's net assets were £7,904,419 (2017: £7,054,824).

Power market fundamentals improved during 2018 resulting in higher prices. Generation was above forecast due to higher wind yields.

During the year, the Company generated 22.9 GWh (2017: 24.6 GWh) of electricity and achieved an average load factor of 32.0 % (2017: 29.9%). The Company's KPIs include maximising the reliability and availability to maximise the average load factor.

Financial risk management objectives and policies

The Company finances its activities with a loan from its parent companies 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.

Principal risks and uncertainties facing the Company

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 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 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.

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Strategic Report (continued)

Employees

The Company had no employees (2017: none) and incurred no employee related costs in the financial year (2017: £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.

Post balance sheet events

On 9 January 2019, the company entered into a Facilities Agreement with Landesbank Hessen-Thuringen Girozentrale and drew down £13,960,270 against the term facility. The facility is repayable in full on 8 December 2036 with scheduled capital and interest payable at the end of each six-month period from the date of the agreement. The company utilised the loan to repay the group loans of £7,480,000. On 9 January 2019, the company also entered into a shareholder loan agreement with Cairnborrow Wind Energy Holdings Limited and drew down £1,087,405. The shareholder loan is repayable in full on 8 June 2037 and interest is payable at the end of each six-month period from the date of the agreement. On 11 January 2019, the company distributed a dividend of £7,864,589 to Cairnborrow Wind Energy Holdings Limited.

Senvion GmbH ("Senvion") is the O&M provider of the Cairnborrow Wind Farm. On 9 April 2019 Senvion applied for the opening of insolvency proceedings over its assets with a court in Hamburg. Insolvency proceedings regarding Senvion in the form of self-administration proceedings were opened in Germany on 1 July 2019 and a custodian was appointed. The administration proceedings of a key supplier such as Senvion qualify as a default under Cairnborrow Finance Facility Agreement until rectified. The implications of the default are explained within the going concern disclosure. As part of this process we have agreed a cure plan with the lenders indicating our proposed procurement program to replace Senvion as the O&M contractor should this be required to remedy the default. The terms of the cure plan state that management has to recommend a replacement contractor and present a form of replacement agreements within agreed timeframes. At the date of signing the accounts Senvion is continuing to provide services as contracted therefore no steps have been taken to replace these services with an alternative provider. Alternative O&M providers have been identified should Senvion cease to provide the services or at the request of the lenders. As the default occurred after the end of the reporting period the classification of the liability in the financial statements has remained as greater than one year; however, the current classification of the liability, with the default in place, is less than one year.

Environmental policy

The Company is committed to reducing its impact on the environment. As part of this commitment the Company works closely with the local community to minimise the impact of the wind farm development.

By order of the Board

C Foreman

Director

23 September 2019

Registered No. 06636160

Directors' Report

The Directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 December 2018.

Matters included in the Strategic Report

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report, Principal risks and uncertainties facing the Company, is information relating to the financial risk management objectives and policies which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a Directors' Report.

Results and dividends

The profit for the year, after taxation, amounted to £849,595 (2017: £611,542). All of the profit is attributable to the members of the Company (2017: same).

The directors cannot propose the payment of a final dividend (2017: same).

Going concern

As a result of Senvion, the company's O&M provider, instigating insolvency proceedings the company is in default under the terms of the Cairnborrow Finance Facility Agreement. As described in the post balance sheet event note the default took place after the balance sheet date with the result that the amounts owed under that agreement have become repayable on demand at the time of signing the accounts. Based on the balance of probability it is management's conclusion that the event of default will be resolved either through the acquisition of the existing service business, by a fellow group company or third party, or by the appointment of an alternative O&M provider to Senvion. Notwithstanding this, at the time of signing the accounts the event of default under the facilities agreement is in place and therefore it is possible that the loan could be recalled at any time. The directors are therefore reliant on the letters of support from the Cairnborrow Wind Energy Limited shareholders in order to be able to prepare the financial statements of the Company for the year ended 31st December 2018 on a going concern basis. On the basis of their assessment of trading forecasts and of Company's financial position including the letters of support received, the Company's Directors have, at the time of approving the financial statements, a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of the financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The directors who served during the year ended 31 December 2018 and thereafter were:

A Garner
F d'Alonzo
C Foreman
D Vermeer

Company secretary
S Gregory

During the year ended 31 December 2018, ENGIE S.A., maintained insurance for the directors A Garner and C Foreman. The Directors F d'Alonzo and D Vermeer 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 (2017: same).

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 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.

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Directors' Report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP will be deemed to be appointed as the auditor.

By order of the Board

A Garner
Director
23 September 2019

Registered No. 06636160

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 Cairnborrow Wind Energy Limited

Opinion

We have audited the financial statements of Cairnborrow Wind Energy Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 19 including a summary of the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union; 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.

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 by the parent company, 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 Cairnborrow Wind 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

Registered No. 06636160

Income Statement

for the year ended 31 December 2018

	Note	2018 £	2017 £ Restated*
Revenue		2,422,104	2,180,165
Cost of sales		(848,014)	(755,833)
Gross profit		1,574,090	1,424,332
Administrative expenses		(336,524)	(352,715)
Operating profit	3	1,237,566	1,071,617
Interest receivable and similar income	5	315	-
Interest payable and similar charges	5	(373,794)	(529,227)
Profit before taxation		864,087	542,390
Taxation	6	(14,492)	69,152
Profit for the year attributable to owners of the Company		849,595	611,542

All amounts relate to continuing activities.

*See note 1 for explanation of restatement.

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Statement of Comprehensive Income

for the year ended 31 December 2018

	2018	2017
	£	£
Profit for the year	849,595	611,542
Total comprehensive income	849,595	611,542

All of the above profit is attributable to the owners of the Company.

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Statement of Financial Position

As at 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment	7	13,846,831	14,447,297
Deferred tax asset	12	22,674	37,166
Decommissioning security deposit		50,660	50,345
Total non-current assets		13,920,165	14,534,808
Current assets			
Trade and other receivables	8	762,503	746,349
Cash and cash equivalents	9	1,366,695	817,692
Total current assets		2,129,198	1,564,041
Current liabilities			
Trade and other payables	10	(322,794)	(331,380)
Interest bearing Group loans and borrowings	11	(910,000)	(866,000)
Total current liabilities		(1,232,794)	(1,197,380)
NET CURRENT ASSETS		896,404	366,661
Total assets less current liabilities		14,816,569	14,901,469
Non current liabilities			
Interest bearing Group loans and borrowings	11	(6,536,400)	(7,480,000)
Provisions for liabilities and charges	13	(375,750)	(366,645)
Total non-current liabilities		(6,912,150)	(7,846,645)
NET ASSETS		7,904,419	7,054,824
EQUITY			
Share capital	15	104	104
Share premium account		-	7,701,466
Retained earnings		7,904,315	(646,746)
TOTAL EQUITY		7,904,419	7,054,824

The financial statements of Cairnborrow Wind Energy Limited (registered number 06636160) were approved by the Board of Directors and authorised for issue on 23 September 2019.

They were signed on its behalf by:

A Garner

Director

23 September 2019

Registered No. 06636160

Statement of Changes in Equity

for the year ended 31 December 2018

	Share Capital	Share Premium Account	Retained profit/(loss)	Total Equity
	£	£	£	£
At 1 January 2017	104	7,701,466	(1,258,288)	6,443,282
Total comprehensive income for the year	-	-	611,542	611,542
At 31 December 2017	104	7,701,466	(646,746)	7,054,824
Capital reduction	-	(7,701,466)	7,701,466	-
Total comprehensive income for the year	-	-	849,595	849,595
At 31 December 2018	104	-	7,904,315	7,904,419

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Cash Flow Statement

for the year ended 31 December 2018

	Note	2018 £	2017 £
Operating activities			
Profit before taxation		864,087	542,390
Adjustments to reconcile profit after taxation to net cash flows from operating activities			
Finance income		(315)	-
Finance costs		364,689	520,342
Depreciation of property, plant and equipment		600,447	563,928
(Increase) in trade and other receivables		(16,154)	(735,911)
(Decrease)/ increase in trade and other payables		(6,635)	329,430
Increase in provisions		9,105	8,885
Income taxes paid		-	(6,238)
Net cash flows from operating activities		1,815,224	1,222,826
Cash flows used in investing activities			
Funding decommissioning security deposit		-	(345)
Purchase of property, plant and equipment		18	(1,161,391)
Net cash flows used in investing activities		18	(1,161,736)
Cash flows (used in) / generated by financing activities			
Repayment of borrowings from group companies		(866,000)	(534,000)
Capitalised facility fees		(33,600)	-
Interest paid		(366,639)	(386,119)
Proceeds from new borrowings from group companies		-	-
Proceeds on issue of shares		-	-
Net cash flows generated from financing activities		(1,266,239)	(920,119)
Net increase / (decrease) in cash and cash equivalents		549,003	(859,029)
Cash and cash equivalents at beginning of the year		817,692	1,676,721
Cash and cash equivalents at end of the year	9	1,366,695	817,692

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Notes to the financial statements

for the year ended 31 December 2018

1. Statement of compliance with IFRSs

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018. The principal accounting policies adopted by the Company are set out in note 2.

Prior year restatement

Management had 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. The impact of this in 2017 was to increase turnover by £70,585 and increase cost of sales by £70,585.

This has no impact on the opening or closing balance sheet of Cairnborrow Wind Energy Limited.

2. Accounting policies

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The Company financial statements are presented in pounds sterling (£) as this is the currency of the primary economic environment in which the Company operates and all values are rounded to the nearest pound (£) except when otherwise indicated.

The financial statements have been prepared on the historic cost basis, except for derivatives which are carried at fair value as described in the accounting policies below. Historic cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018 which have been applied consistently in the current and preceding year.

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (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.

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.

- IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 Leases was issued in January 2016 and it replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and financial leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Adoption of new and revised standards (continued)

Transition to IFRS 16

The Company plans to adopt IFRS 16, applying the cumulative catch-up approach under which the cumulative effect of the initial application is recognised in accordance with specific provisions, as of 1 January 2019. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
The Company will elect to use the exemptions applicable to the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment that are considered of low value.
Owing to the adoption of IFRS 16, the Company's operating profit will improve, while its interest expense will increase. This is due to the change in accounting for expenses of leases that were classified as operating leases under IAS 17.
In summary, the adoption of IFRS 16 is expected to result in the recognition of right of use assets and lease liabilities amounting to £2,063k.

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.

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 statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Recoverable amount of property, plant and equipment

The recoverable amount of property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment adjustments.

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.

Taxation

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)

Significant accounting policies

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration incurred in the development of the wind farm, net of income received during the commissioning period.

Assets under construction

No depreciation is provided on assets in the course of construction. Any borrowing costs directly attributable to assets under construction which meet the recognition criteria in IAS 23 are capitalised as part of the cost of the asset.

Decommissioning asset

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.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impairment.

For asset excluding goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately to the income statement.

Dividends

Dividends are recognised in the financial statements in the year in which they are paid, or in the case of a final dividend when approved by the shareholders.

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Recognition and valuation of financial assets

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Trade receivables, which generally have terms of 90 days, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Financial liabilities and equity

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.
A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

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

Derivative financial instruments

The Company enters into derivative financial instruments, namely foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

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.

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 2018 (continued)

2. Accounting policies (continued)

Significant accounting policies (continued)

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.

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.

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.

Income taxes

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 statement of financial position date.

Deferred income tax is recognised 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. 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 statement of financial position date.

Deferred income tax is recognised 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.

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Significant accounting policies (continued)

Income taxes (continued)

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 statement of financial position date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Income Statement.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance costs.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement, except when hedge accounting is applied.

Operating leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to income in equal annual amounts over the lease term.

Going concern

As a result of Senvion, the company's O&M provider, instigating insolvency proceedings the company is in default under the terms of the Cairnborrow Finance Facility Agreement. As described in the post balance sheet event note the default took place after the balance sheet date with the result that the amounts owed under that agreement have become repayable on demand at the time of signing the accounts. Based on the balance of probability it is management's conclusion that the event of default will be resolved either through the acquisition of the existing service business, by a fellow group company or third party, or by the appointment of an alternative O&M provider to Senvion. Notwithstanding this, at the time of signing the accounts the event of default under the facilities agreement is in place and therefore it is possible that the loan could be recalled at any time. The directors are therefore reliant on the letters of support from the Cairnborrow Wind Energy Limited shareholders in order to be able to prepare the financial statements of the Company for the year ended 31st December 2018 on a going concern basis. On the basis of their assessment of trading forecasts and of Company's financial position including the letters of support received, the Company's Directors have, at the time of approving the financial statements, a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of the financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Operating profit

This is stated after charging:

	2018	2017
	£	£
Depreciation of owned assets	600,447	563,928
Fees paid to the auditor for the audit of Company's financial statements	4,500	4,500
Operating lease rentals - land and buildings	166,609	95,327

There were no non-audit fees incurred in either the current or the prior year.

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

4. Directors remuneration and staff costs

There were no employees during the year (2017: same).
No directors received any emoluments from Cairnborrow Wind Energy Limited and did not spend a significant proportion of their time performing services for the company (2017: same).

5. Interest receivable and payable and similar charges

	2018 £	2017 £
Interest receivable on decommissioning security deposit	315	-
Interest paid to group undertakings	355,581	345,939
Interest paid to other related parties	9,108	8,244
Unwinding of discount on decommissioning provision	9,105	8,885
Change in the fair value of derivative assets and liabilities	-	166,159
Total interest expense	373,794	529,227

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments.

6. Taxation

	2018 £	2017 £
(a) Tax charge		
Current income tax:		
UK corporation tax on profit for the year	-	-
Adjustment in respect of prior periods	-	-
Total current income tax	-	-
Deferred tax:		
Deferred tax charge / (credit) relating to the origination and reversal of temporary differences	171,295	(69,152)
Adjustments in respect of prior years – deferred tax	(156,803)	-
Tax charge/(credit)	14,492	(69,152)

The Company earns its profits primarily in the UK. Therefore the tax rate used for tax on ordinary activities is the average standard rate for UK corporation tax, currently 19% (2017: 19.25%).

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

	2018 £	2017 £
(b) Reconciliation of tax (credit)/charge		
Profit before tax	864,087	542,390
Profit multiplied by standard rate of corporation tax of 19% (2017: 19.25%)	164,176	104,410
Adjustments in respect of prior years – deferred tax	(156,803)	-
Tax losses recognised	-	(171,544)
Tax effect of non-deductible or non-taxable items	7,119	-
Change in deferred tax rate	-	(2,018)
Tax charge/(credit)	14,492	(69,152)

Notes to the financial statements

for the year ended 31 December 2018 (continued)

6. Taxation (continued)

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%.

(c) Deferred tax

An analysis of the movements in deferred tax is as follows:	2018 £	2017 £
Deferred tax asset/(liability) at 1 January	37,166	(31,986)
Deferred tax (charge)/credit in income statement for the year (note 12)	(14,492)	69,152
Deferred tax asset at 31 December	22,674	37,166

Analysed as:	2018 £	2017 £
Accelerated depreciation for tax purposes	(572,459)	(130,701)
Deferred tax on tax losses carried forward	595,133	167,867

A deferred tax asset has been recognised on losses carried forward as it is anticipated that these losses would be available to offset against future taxable profits arising in the foreseeable future.

7. Property, plant and equipment

	Decommissioning asset £	Property, plant and equipment £	Property, plant and equipment Total £
Cost			
At 1 January 2018	357,760	14,653,465	15,011,225
Additions	-	(19)	(19)
At 31 December 2018	357,760	14,653,446	15,011,206
Accumulated depreciation			
At 1 January 2018	(13,118)	(550,810)	(563,928)
Charge for the year	(14,310)	(586,137)	(600,447)
At 31 December 2018	(27,428)	(1,136,947)	(1,164,375)
Carrying amount			
At 31 December 2018	330,332	13,516,499	13,846,831
At 31 December 2017	344,642	14,102,655	14,447,297

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

7. Property, plant and equipment (continued)

	Decommissioning asset	Asset under construction	Property, plant and equipment	Property, plant and equipment Total
	£	£	£	£
Cost				
At 1 January 2017	357,760	13,174,794	-	13,532,554
Additions	-	920,553	558,118	1,478,671
Transfer	-	(14,095,347)	14,095,347	-
At 31 December 2017	357,760	-	14,653,465	15,011,225
Accumulated depreciation				
At January 2017	-	-	-	-
Charge for the year	(13,118)	-	(550,810)	(563,928)
At 31 December 2017	(13,118)	-	(550,810)	(563,928)
Carrying amount				
At 31 December 2017	344,642	-	14,102,655	14,447,297
At 31 December 2016	357,760	13,174,794	-	13,532,554

The Company does not hold any assets under finance leases (2017: same).

The Company had no capital commitments for the year (2017: £nil).

Fixed assets include interest capitalised during construction. During the year £Nil interest has been capitalised (2017: £102,717). The net book value of the capitalised interest at the balance sheet date is £335,739 (2017: £349,896). The rate at which interest was capitalised was 4.16% (2017: 4.16%).

A decommissioning provision has been recognised in the year 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%.

The remaining useful economic life of the windfarm is 23 years.

8. Trade and other receivables

	2018	2017
	£	£
Amounts owed by group undertakings	143,955	81,183
Corporation tax recoverable	6,238	6,238
Prepayments	53,110	62,355
Accrued income	559,200	596,573
	762,503	746,349

9. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	1,366,695	817,692

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

10. Trade and other payables

	2018 £	2017 £
Trade creditors	41,191	59,225
Amounts owed to group undertakings	26,118	-
Accrued interest - amounts owed to group undertakings	-	1,950
VAT payable	129,639	94,196
Accrued expenses and other payables	125,846	176,009
	322,794	331,380

11. Interest bearing loans and borrowings

	2018 £	2017 £
Current		
Amounts owed to group undertakings	910,000	866,000
Non-current		
Amounts owed to group undertakings	6,570,000	7,480,000
Capitalised facility costs	(33,600)	-
	6,536,400	7,480,000

Refer to Note 14 for further details.

12. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Company and movements thereon during the current and prior reporting period.

	Fair value of forward currency contract - due within one year £	Accelerated depreciation for tax purposes £	Deferred tax on tax losses carried forward £	Total £
At 1 January 2017	(31,986)	-	-	(31,986)
(Charge)/credit to profit or loss	31,986	(130,701)	167,867	69,152
At 1 January 2018	-	(130,701)	167,867	37,166
(Charge)/credit to profit or loss	-	(441,758)	427,266	(14,492)
At 31 December 2018	-	(572,459)	595,133	22,674

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

13. Provisions for liabilities and charges

	Decommissioning £	Total £
At 1 January 2018	366,645	366,645
Unwinding of discounting	9,105	9,105
At 31 December 2018	375,750	375,750

A decommissioning provision has been recognised in the year 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%

14. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade payables and borrowings from Group undertakings. The main purpose of these instruments is to raise finance for the Company's operations. The Company has various financial assets such as cash and other receivables, which arise directly from its operations, in addition to loans from Group undertakings.

The main risks arising from the Company's financial instruments are interest rate and foreign currency risk. There are no significant liquidity or credit risks.

Interest rate maturity profile of financial assets and liabilities

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk.

Year ended 31 December 2018	Within 1 year £	1 to 5 years £	>5 years £	Total £
Amounts owed to Group undertakings	910,000	4,367,000	2,203,000	7,480,000

Year ended 31 December 2017	Within 1 year £	1 to 5 years £	>5 years £	Total £
Amounts owed to Group undertakings	866,000	4,084,000	3,396,000	8,346,000

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with a floating interest rate and bank deposits. Interest on amounts owed to Group undertakings is set at 6 months Libor + 3.63%. The other financial assets and financial liabilities of the Company are non-interest bearing and therefore are not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's asset value within property, plant and equipment (through the impact on floating rate borrowings).

	Increase/(decrease) in base rate	Increase/(decrease) in profit before tax £
2018	+1.00%	82,486
	-1.00%	(82,486)
2017	+1.00%	81,636
	-1.00%	(81,636)

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

14. Financial risk management objectives and policies (continued)

Foreign currency risk

Transactions denominated in foreign currencies arising in the normal course of business are translated into sterling at the exchange rate ruling on the date the transaction takes place unless related or matching forward foreign exchange contracts have been entered into, when the rate specified in the contract is used. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Exchange differences arising in the normal course of business and on the translation of monetary assets and liabilities are dealt with in the profit and loss account.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities.

The maturity profile of the financial liabilities of the Company as at 31 December 2018 and as at 31 December 2017 based on contractual undiscounted payments is as follows:

Year ended 31 December 2018	On Demand	Less than 3 months	3-12 months	1 to 5 years	>5 years	Total
	£	£	£	£	£	£
Amounts owed to Group undertakings	-	-	910,000	4,367,000	2,203,000	7,480,000
Trade and other payables	-	322,794	-	-	-	322,794

Year ended 31 December 2017	On Demand	Less than 3 months	3-12 months	1 to 5 years	>5 years	Total
	£	£	£	£	£	£
Amounts owed to Group undertakings	-	-	867,950	4,084,000	3,396,000	8,347,950
Trade and other payables	-	329,430	-	-	-	329,430

Notes to the financial statements

for the year ended 31 December 2018 (continued)

14. Financial risk management objectives and policies (continued)

Fair value

Valuation techniques and assumptions applied for the purposes of measuring fair value

The Company holds a number of financial instruments on the statement of financial position at their fair values. Financial instruments which are measured subsequent to initial recognition at fair value are grouped, based on the degree to which the fair value is observable, into Level 1 – 3 as defined below.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities, where inputs are observable;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that is not based on observable market data.

The fair values of derivative financial instruments are calculated using observable market data provided by the Engie Group to which an appropriate discount rate is applied and are therefore all grouped as Level 2.

The fair value of forward foreign currency contracts in place at the date of the balance sheet was:

Fair value through profit and loss	2018	Movement in 2018	2017	Movement in 2017
	£	£	£	£
Forward foreign currency contracts - financial assets	-	-	-	(166,159)
Forward foreign currency contracts - financial liabilities	-	-	-	-
	-	-	-	(166,159)

Of which:

	2018	2017
	£	£
Gains/(losses) expected to be recognised in the year ended December 2018	-	-
Gains/(losses) expected to be recognised in the year ended December 2019	-	-

The above derivative assets and liabilities relate to forward foreign currency contracts to purchase €Nil (2017: €Nil).

The movement in the fair value in each year is included in the Income Statement.

The counterparty to the forward foreign currency contracts is International Power Limited.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

It is the Directors' opinion that the carrying amounts of the other non-current financial assets and borrowings, recorded at amortised cost in the financial statements, are approximately equal to their fair value.

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

14. Financial risk management objectives and policies (continued)

Liquidity risk management

The Board of Directors manages the Company's liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by monitoring the forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The Company's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods has been drawn up below and includes both interest and principal cash flows.

	0 – 12 months	1-5 years	5+ years	Total
31 December 2018	£	£	£	£
Financial assets				
- Cash and cash equivalents (note 9)	1,366,695	-	-	1,366,695
- Trade and other receivables (note 8)	762,503	-	-	762,503
	2,129,198	-	-	2,129,198
Financial liabilities				
- Trade and other payables (note 10)	322,794	-	-	322,794
- Interest bearing loans and borrowings (note 11)	910,000	4,367,000	2,203,000	7,480,000
	1,232,794	4,367,000	2,203,000	7,802,794
Borrowing as a % of total borrowings	12%	58%	29%	100%
31 December 2017	£	£	£	£
Financial assets				
- Cash and cash equivalents (note 9)	817,692	-	-	817,692
- Trade and other receivables (note 8)	746,349	-	-	746,349
	1,564,041	-	-	1,564,041
Financial liabilities				
- Trade and other payables (note 10)	(331,380)	-	-	(331,380)
- Interest bearing loans and borrowings (note 11)	(866,000)	(4,084,000)	(3,396,000)	(8,346,000)
	(1,197,380)	(4,084,000)	(3,396,000)	(8,677,380)
Borrowing as a % of total borrowings	10%	49%	41%	100%

Capital management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from that in force in 2017.

The capital structure of the Company consists of net debt, which includes a Group loan as disclosed in note 11, less cash and cash equivalents as disclosed in note 9 and equity attributable to equity holders of the Company, comprising issued capital and retained profits as disclosed in the Statement of Changes in Equity on page 13 of the financial statements.

The company is not subject to any externally imposed capital requirements.

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Notes to the financial statements

for the year ended 31 December 2018 (continued)

15. Equity share capital

	2018	2017
	£	£
Authorised		
104 ordinary shares (2017: 104) of £1 each	104	104
Called up, allotted and fully paid		
104 ordinary shares (2017: 104) of £1 each	104	104

16. Operating lease arrangements

The Company as lessee

	2018	2017
	£	£
Lease payments under operating leases recognised as an expense in the year	166,609	95,327

Cairnborrow Wind Energy Limited has a lease for access to and use of the farmland where the wind farm is situated. The lease has a duration of 25 years. The commitments below is the minimum non-cancellable element and any further amounts payable are based upon electricity production.

	2018	2017
	£	£
Within one year	107,000	105,000
In the second to fifth years inclusive	430,000	419,000
After five years	2,901,000	2,930,000
	3,438,000	3,454,000

17. Related party transactions

During the year, the Company carried out a number of transactions in the normal course of business with the following related parties. There were no other related party transactions.

ENGIE Power Limited
ENGIE CC (formerly GDF Suez CC)
Equitix MA Infrastructure Limited
ENGIE Wind Services Limited

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

Year ended 31 December 2018	Turnover	Cost of sales	Interest payable and similar charges	Amounts owed to group undertakings	Amounts owed by group undertakings
	£	£	£	£	£
ENGIE CC		-	(177,790)	-	-
Equitix MA Infrastructure Limited		-	(177,790)	-	-
ENGIE Power Limited	2,422,104	-	(9,108)	-	143,955
ENGIE Wind Services Ltd		(86,351)	-	(26,118)	-

Registered No. 06636160

Notes to the financial statements

for the year ended 31 December 2018 (continued)

17. Related party transactions (continued)

Year ended 31 December 2018	Interest bearing loans and borrowings
	£
ENGIE CC	(3,740,000)
Equitix MA Infrastructure Limited	(3,740,000)
ENGIE Power Limited	-
ENGIE Wind Services Ltd	-

Year ended 31 December 2017	Turnover	Property, plant and equipment	Interest payable and similar charges	Accrued interest - amounts owed to group undertakings	Amounts owed by group undertakings
	£	£	£	£	£
ENGIE CC	-	(15,916)	(172,969)	(975)	-
Equitix MA Infrastructure Limited	-	(15,916)	(172,969)	(975)	-
ENGIE Power Ltd	2,180,165	138,590	(8,349)	-	81,183
ENGIE Wind Services Ltd	-	(505,226)	-	-	-

Year ended 31 December 2017	Interest bearing loans and borrowings
	£
ENGIE CC	(4,173,000)
Equitix MA Infrastructure Limited	(4,173,000)
ENGIE Power Ltd	-
ENGIE Wind Services Ltd	-

Terms and conditions of related party balances

On 15 December 2009, the Company entered into a loan agreement with ENGIE CC for borrowings of up to £8,886,000. In November 2015 the ENGIE CC loan was paid in full and followed by an agreement made with Equitix MA Infrastructure Limited for a drawdown facility of £8,886,000. Scheduled capital and interest payments are due in June & December of each year, starting on 31 December 2016 and ending on 31 December 2025.

The transactions with ENGIE Wind Services Limited are made at normal prices and with terms and conditions comparable with an arm's length transaction. The purchase transaction with this entity are for management costs in operating the wind farm.

The transactions with ENGIE CC and Equitix MA Infrastructure Limited are made at normal prices and with terms and conditions comparable with an arm's length transaction. The interest payable and amounts owed to these entities are for loan interest.

Compensation of key management personnel of the Company

None of the directors are compensated by the Company. There have been no transactions with the directors of the Company during the year as set out in note 4.

Notes to the financial statements

for the year ended 31 December 2018 (continued)

18. Ultimate parent company

As at 31 December 2014, the company was 100% owned by ENGIE Renewables Limited (formerly West Coast Energy Limited), a company registered in England and Wales. On 15 July 2015, 100% of the share capital was purchased by International Power Consolidated Holdings Limited (a company registered in England and Wales). International Power Consolidated Holdings Limited is wholly owned by ENGIE S.A. (formerly GDF Suez S.A.) (a company registered in France).

On 13 November 2015, 50% of the share capital of the company was purchased by Equitix MA Infrastructure Limited, a company incorporated in England and Wales. Equitix MA Infrastructure Limited is wholly owned by Equitix Limited, a company incorporated in England and Wales. From this date, the Company ceased to be indirectly wholly owned by ENGIE S.A.

On 27 November 2018, 100% of the share capital of the company was purchased by Cairnborrow Wind Energy Holdings limited, in a share for share exchange with International Power Consolidated Holdings Limited and Equitix MA Infrastructure Limited.

At the 31 December 2018, the company was therefore 50% controlled by International Power Consolidated Holdings Limited and 50% controlled by Equitix MA Infrastructure Limited and the Directors, therefore, consider that there is no single controlling party.

Copies of the accounts for the above companies can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

19. Post balance sheet events

On 9 January 2019, the company entered into a Facilities Agreement with Landesbank Hessen-Thuringen Girozentrale and drew down £13,960,270 against the term facility. The facility is repayable in full on 8 December 2036 with scheduled capital and interest payable at the end of each six-month period from the date of the agreement. The company utilised the loan to repay the group loans of £7,480,000. On 9 January 2019, the company also entered into a shareholder loan agreement with Cairnborrow Wind Energy Holdings Limited and drew down £1,087,404.94. The shareholder loan is repayable in full on 8 June 2037 and interest is payable at the end of each six-month period from the date of the agreement. On 11 January 2019, the company distributed a dividend of £7,864,589.30 to Cairnborrow Wind Energy Holdings Limited.

Senvion GmbH ("Senvion") is the O&M provider of the Cairnborrow Wind Farm. On 9 April 2019 Senvion applied for the opening of insolvency proceedings over its assets with a court in Hamburg. Insolvency proceedings regarding Senvion in the form of self-administration proceedings were opened in Germany on 1 July 2019 and a custodian was appointed. The administration proceedings of a key supplier such as Senvion qualify as a default under Cairnborrow Finance Facility Agreement until rectified. The implications of the default are explained within the going concern disclosure. As part of this process we have agreed a cure plan with the lenders indicating our proposed procurement program to replace Senvion as the O&M contractor should this be required to remedy the default. The terms of the cure plan state that management has to recommend a replacement contractor and present a form of replacement agreements within agreed timeframes. At the date of signing the accounts Senvion is continuing to provide services as contracted therefore no steps have been taken to replace these services with an alternative provider. Alternative O&M providers have been identified should Senvion cease to provide the services or at the request of the lenders. As the default occurred after the end of the reporting period the classification of the liability in the financial statements has remained as greater than one year; however, the current classification of the liability, with the default in place, is less than one year.

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