# Ventient Energy Limited

Annual report and financial statements

Registered number 10595093

Year ended 31 December 2019

## Contents

## Strategic report

The Directors' present their Strategic report for the year ended 31 December 2019.

**Principal activities**

The current principal activity of Ventient Energy Limited (VEL) and its subsidiaries, together the "Group", is the generation and sale of electricity from onshore wind turbines in the UK. We operate 34 onshore wind farms in the UK with an installed capacity of 689.5MW.

Ventient Energy Limited is the UK subsidiary of Ventient Energy Sarl, one of Europe's top independent producers of renewable energy with 1.9GW of installed capacity across 103 wind farms in Belgium, France, Germany, Portugal, Spain and the United Kingdom. Ventient is owned by the IIF International Holding LP ("IIF") advised by J.P. Morgan Asset Management.

**Environment, Social and Governance**

The Global Real Estate Sustainability Benchmarks (GRESB) survey completed by Ventient in 2019 produced an outstanding result, achieving a five star rating and an overall score of 85 out of 100. The GRESB assessment benchmarks our Environmental, Social and Governance (ESG) performance across the industry against our peers, both within the renewables industry and other businesses owned by IIF.

**Business Review and Performance Summary**

Revenue for the year was £152.3M slightly down on management's expectations due to poor wind resource in October and November. Gross profit improved to £91.8M (up £3.8M on 2018) thanks to efficiencies in operating costs. Administrative expenses were in line with a full year of operations and include additional resources to support the operations and management of the portfolio expansion in 2018. Management was pleased with EBITDA of £111M (operating profit of £25.9M adjusted to exclude depreciation and amortisation) which was in line with our expectations and £3M better than 2018. Including depreciation, amortisation and financing expense, the loss before tax is £11.9M, a £5M improvement over the prior year. Net asset position as at 31 December 2019 is £154.8M.

**Key Performance Indicators**

Wind generation of 1,579 GWh was below expectations (6%) due to poor wind resource in October and November. Average selling price per MWh at £93.6 was slightly higher than expected due to improved ROC recycle price and effective use of price fixes. As already noted, EBITDA of £111M was in line with our expectations and £3M better than 2018.

**Principal Risks and Uncertainties**

The principal risks and uncertainties faced by VEL and the mitigating factors taken by VEL against these risks are detailed below. The principal risks noted below are not all the risks faced by VEL but are those risks which VEL perceives as those which could have a significant impact on VEL's performance and future prospects.

The principal risks and uncertainty facing the business are linked to wind conditions, energy pricing secured, asset performance and market regulation;

- Wind resource falling significantly below expectations. This would have a negative impact on turnover and cash flows resulting in potential impairment of the tangible assets. This is mitigated by the portfolio financing which is set against a low wind stress test to ensure any one low wind year will not impact the future prospects of the business.

## **Strategic report** (continued)

- Significant turbine serial defect or early end of life failure. This would have a negative impact on turnover and cash flows resulting in potential impairment of the tangible assets. The business consists of a large number of different turbine manufacturers and models with a wide age range located within a diverse geography. This ensures minimal impact on the portfolio if significant issues were to develop with any one model of turbine. The wind farms are appropriately insured against the impact serial defect.

- Power Price falling significantly below expectations. This would have a negative impact on turnover and cash flows resulting in potential impairment of the tangible assets. All wind farms have ROC inflated to RPI annually, guaranteed under the UK government Renewable Obligation Scheme. They also benefit from a Power Purchase Agreement with an Investment level off-taker. This risk is mitigated by financing against a low power price assumption produced by independent energy consultants.

- Performance falling below expectations: The availability to generate of our windfarms is an important driver of revenue after considering price and wind. Ventient maintains strong in-house skills and presence as well as a comprehensive control room infrastructure and asset performance activities, all of which combine toward the goal of maintaining and improving individual turbine and windfarm availability. The geographical and manufacturer diversity also contributes to mitigation of the risk of degradation of portfolio availability.

- Regulation: Wind projects operate in a twofold regulatory environment, involving specific renewables regulation and energy markets regulation. These two often intersect, not always in a beneficial manner for a renewable asset class or for particular generation locations. Ventient maintains strong relationship with industry bodies as well as pursuing its own dialogues where possible to monitor, anticipate and model potential regulatory outcomes. Current charging reviews are ongoing by regulators and government and may result in reduced EBITDA if implemented, although any amounts are yet to be determined.

- A significant failure of the electricity grid or infrastructure on or near a wind farm. A large prolonged event would have a negative impact on turnover and cash flows resulting in potential impairment of the assets. The business ensures all appropriate maintenance and monitoring is carried out on is wind farm sites. The wind farms are appropriately insured against loss of grid through business interruption policies.

- Brexit: All the Group's assets are based in the UK and are stated in pounds sterling, thus cashflows are not exposed to any material currency risk. However, given the uncertainties over the timing and nature of the UK's departure from the European Union, it is difficult at this stage to predict the impact on the longer-term energy market and its fundamental drivers. The Group continues to monitor market and economic data including gas and carbon prices, macroeconomic statistics and regulatory market updates to understand their impact on future price curves.

  Regarding any potential risk to the supply chain, the Group is engaged with all its key Original Equipment Manufacturers to ensure that plans and preparations are being made to mitigate any operational risk or delay as a result of the UK leaving the EU.

## **Strategic report** (continued)

- Coronavirus (COVID19): The World Health Organisation has declared this outbreak as a controllable pandemic. As of the 13 March 2020, the UK Government raised the risk level from moderate to high. A prolonged pandemic in the UK may affect VEL's ability to maintain its windfarm assets; however, this asset category is classed as part of the UK's critical infrastructure and contractors continue to be engaged to carry out repairs in spite of restrictions applying to other sectors of the economy. It may also result in reduced carbon prices which may ultimately affect renewable energy pricing, negatively impacting turnover and cash flows resulting in potential impairment of the tangible assets.

  While there remains uncertainty over the duration and depth of the pandemic, VEL has taken extensive precautionary measures to help avoid the spread of COVID-19 and ensure health and safety of our people, business partners and the community we work with. We are in close contact with our suppliers, contractors and business partners to ensure continuous risk assessments for our business and our people and to ensure adherence to local government advice and guidelines. Whilst alert to the ongoing potential financial and operational challenges, Ventient's strong operational model (based on its proactive in-house Asset Management team, diversified third-party Operations and Maintenance providers and a diversified turbine technology base) is focused on ensuring stable operations and mitigating potential impact. In the past three months since the start of the pandemic maintenance and repairs of the wind farms has continued. There has been a decrease in the day rate prices, however, many of our prices are on a fixed price tariff. As noted under the third risk area listed above ("Power Price falling significantly below expectations"), Ventient has a defined approach to mitigation of power price risk.

As growth through acquisition occurs, Ventient also needs to be ready to effectively risk assess future acquisitions, incorporate those efficiently and ensure performance to expectations. Ventient is developing its staff and adding to its personnel in order to support its growth opportunities.

**Directors' Duties to Stakeholders (s172 statement)**

The directors through the course of their actions take a long-term outlook on the ownership, operation and growth of the Ventient business and these are driven by the needs of the stakeholders. The Ventient vision is to be a trusted partner, providing value driven, innovative and responsible solutions for the energy needs of the future. Ventient strives to be a partner of choice for employees, suppliers, landowners and local communities, and to grow the business portfolio sustainably.

Ventient Energy is represented in the first instance by its employees. Ventient strives to employ people who embody its values and seek to create a working environment of respect, learning and support. Our people are encouraged to help community organisations and activities in the areas where Ventient operates and Ventient provides staff with paid time off work to do so. Ventient regularly interacts with its employees asking a range of questions relating to many aspects of the employee work experience. Employees are able to submit feedback anonymously allowing the company to build a picture of employee welfare and concerns that enable further discussion and improvement activity.

Ventient has integrated environmental, social and governance (ESG) matters into all aspects of how it conducts operations. Ventient's focus in these areas helps to ensure that the business model is sustainable and focused on the long-term. Priorities in 2019 have also included: -

Demonstrating effective stewardship in the communities where we operate

- Develop and implement a stakeholder engagement plan to maintain strong and positive long-term relationships with our various stakeholders

## **Strategic report** (continued)

Ensure the safety and engagement of our people

- Aim for zero serious safety incidents by implementing an effective safety culture across the business
- Meet or exceed all applicable labour laws and standards by introducing a new HR framework

Minimise the impact of our activities on the environment

- Achieve ISO 14001 certification to ensure we minimise how our operations negatively affect the environment, comply with applicable laws, regulations and continually improve our performance in this area

Conducting our business responsibly

- Develop and roll-out a new Code of Ethics to ensure that we conduct our business activities to the highest ethical standards and in accordance with appropriate legal and regulatory requirements.

ENVIRONMENTAL

Ventient Energy is very proud to have a positive impact in helping reduce carbon emissions. Onshore wind represents an efficient low-cost method of renewable generation which can deliver benefits locally, nationally and internationally. It's one of the fastest growing sources of generation in the world.

The business intends to continue to increase positive environmental impact as the portfolio grows and is further committed to minimising the environmental impact of our operations as it does so.

Recognising efforts in this area, Ventient Energy retained its five-star rating and attained Sector Lead status with GRESB – the environmental, social and governance (ESG) benchmark for real estate and infrastructure investments across the world.

GRESB works in collaboration with industries to provide standardised and validated ESG for infrastructure businesses including the renewables sector. Ventient Energy sustained a high profile within the GRESB reporting process and achieved a five star rating from GRESB.

SOCIAL

Ventient Energy takes great pride in supporting the communities around our wind farm sites. For example, in the United Kingdom in an average year, Ventient distributes a total of £1,500,000 in community funding, typically administered and distributed to projects approved through local charitable trusts and community organisations.

Some of the projects Ventient has supported include improving home security for vulnerable residents, the provision of computers and software licenses for a community learning group and enhancements to public spaces and facilities in local communities surrounding our wind farms.

Landowners who host Ventient projects are key contributors to the success and Ventient works closely with them to ensure each wind farm is built upon a strong mutually beneficial relationship.

Ventient believes that building strong partnerships with all stakeholders is good for our business. Ventient actively listens to the concerns of the local communities in which Ventient operates and is committed to a process of continuous engagement with all parties who have an interest in our activities.

Ventient is a local employer wherever possible and our wind farm sites employ regionally based staff and contractors to maintain each project.

In support of Ventient efforts to create a culture of continual improvement, Ventient has successfully attained the international quality standards ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health & Safety).

In recognition of business practice and achievement in helping staff and contractors get home safely at the end of the working day, Ventient Energy has recently achieved a Gold in the internationally renowned RoSPA Health and Safety Awards.

## **Strategic report** (continued)

GOVERNANCE

Ventient Energy is committed to the highest standards of corporate governance and the company's board of directors is composed of expert professionals with a vast range of experience, including energy, finance, M&A, and governance. This ensures that high standards are set for the Company, its employees and officers with an aim to foster a culture of performance, transparency, and accountability.

Being a responsible business means maintaining fair and effective business practices. Ventient has implemented strong governance practices to ensure that business is conducted to the highest standards of honesty and integrity while complying with all legal and regulatory requirements. Ventient Code of Ethics stipulates the minimum ethical standards of conduct Ventient expects from employees, affiliates of the company as well as third party contractors providing services to the company. These standards include the following:

- ensure the health and safety of employees, contractors and guests
- create and maintain a tolerant workplace free from discrimination and harassment
- ensure a clean, safe and healthy environment in all practices
- know and comply with all laws and regulations applicable to your position
- ensure that all business transactions are properly authorized, that the books and records of the Company are complete and accurate and that the Company provides complete and accurate disclosure to its shareholders and government authorities
- avoid situations in which your personal interests conflict or appear to conflict with the interests of the Company
- protect the confidentiality of non-public information concerning the Company and its customers, contractors and shareholders
- not make promises, payments or authorise any gifts or anything of value on behalf of the Company, whether directly or indirectly, to government officials to obtain or retain business
- comply with all applicable Company policies, including those that bar personal or corporate political contributions intended to influence investment decisions by pension funds
- exhibit personal behaviour, both inside and outside of the workplace, which is consistent with and reinforces a positive public image of the Company.

Through our Whistleblowing procedure, Ventient Energy maintains a reporting hotline to report suspected unethical, illegal or unsafe behaviour. The reporting hotline can be accessed at wrs.expolink.co.uk/ventientenergy.

## **Strategic report** (continued)

### Future Developments

It is anticipated that the activities of VEL may grow, and a number of options exist to achieve this, all of which are considered:

(i) beyond the UK as it seeks to grow its operating base,

(ii) in addition to generation from wind, complementary investments may be considered in value accretive infrastructure such as storage.

(iii) In addition to possible expansion through acquisition, Ventient also focuses on the extension of operating life on the projects which are currently in operation. This involves the assessment of options to continue generation for a longer life with current turbines, suitably assessed and maintained for that life extension, and the possibility of 'repowering' sites i.e. using sites currently under the control of Ventient for more modern and higher generation technology than currently operate on site. Currently market signals do not incentivise sufficiently the repowering option but Ventient has made progress in life extension work for older assets in the portfolio.

Since the World Health Organisation declared COVID19 as a controllable pandemic, all staff continue to work remotely. Wind farm assets being classed as part of the UK's critical infrastructure, contractors are able to carry out repairs and maintenance.

These financial statements were approved by the Board and signed on its behalf by:

**D Guerin**
**Director**
**23 June 2020**

Registered office; C/O Morton Fraser LLP St Martin's House,
16 St Martin's Le Grand, London,
EC1A 4EN

## Directors' report

The Directors present their Directors' report and audited consolidated financial statements for Ventient Energy Limited (the "Company") for the year ended 31 December 2019.

**Results and dividends**
The loss after tax for the year amounted to £13.6 million (31 December 2018: £8.9 million).

No dividends were paid or proposed in the current year or to the date of this report.

See the Strategic Report for discussion of the results and key performance indicators for the year.

**Financial Risk Management**

The company aims to minimise financial risk as far as it possibly can. The main purpose of the financial instruments is to provide working capital for the Group's continuing activities and provide funding for future activities. Given the nature of the Group's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact exposure is spread over several counterparties and customers who are of investment grade status. The main strategies for the Group financial instruments are outlined below:

- Trade Receivables: Power Price agreements are used to fix the electricity price and reduce the exposure to fluctuating market power prices. Customers or off takers are investment grade status
- Cash and Cash Equivalents: Cash flows are monitored regularly in order to meet bank covenant ratios and excess cash balances are returned to the owning stakeholder. There are no significant currency exposures.
- Loans and other borrowings: Loan debt is at a fixed interest rate and where this is not the case the interest exposure is hedged using interest rate swaps. For the external loan facility, the hedge covers 92% of the outstanding principal.
- Trade Payables: significant suppliers such as operating and maintenance service providers are assessed for their financial viability and incentivised to achieve levels of windfarm performance. Again there is little direct exposure to supplier related foreign currency transactions.

**Going Concern**
The group continues to generate significant cash, earning high margins before accounting for interest, tax, depreciation and amortisation. The Directors continue to take a long-term view for the business and future plans include extending the life of windfarms, particularly the older parts of the UK fleet portfolio. Liquidity means that bank covenant ratios are comfortably met at both the year end 2019 and are expected to continue in this way for the twelve months following the approval of these financial statements. The company, although in a net liability position at the 2019-year end, successfully renegotiated its debt financing with its existing lenders and has assessed a conservative Covid 19 impact that still leaves it with significant headroom for meeting all its upcoming obligations for at least the next 12 months through to 30 June 2021.

## Directors' report *(continued)*

**Proposed dividend**
The Directors do not recommend the payment of a dividend.

**Directors**
The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Mark R Jones (appointed 30 January 2019)
David Huw Griffiths (appointed 1 January 2020)
Daniel Joseph Guerin (appointed 1 January 2020)
Leanne M Bell (resigned 1 January 2020)
Mikael O Kramer (resigned 1 January 2020)
Andrew W Lee (resigned 1 January 2020)
Steen Stavnsbo (resigned 1 January 2020)
Mark A Walters (resigned 1 January 2020)
Scott L Mackenzie (resigned 30 January 2019)

**Directors' indemnity and insurance**
Throughout the financial year and at the date of approval, qualifying third party directors' and officers' liability insurance was in force.

**Political contributions**
Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

**Stakeholder Engagement**

The directors through the course of their actions take a long-term outlook on the ownership, operation and growth of the ventient business and these are driven by the needs of the stakeholders. The Ventient vision is to be a trusted partner, providing value driven, innovative and responsible solutions for the energy needs of the future. Ventient strives to be a partner of choice for employees, suppliers, landowners and local communities, and to grow the business portfolio sustainably.

Ventient has integrated environmental, social and governance (ESG) matters into all aspects of how it conducts operations. Ventient's focus in these areas helps to ensure that the business model is sustainable and focused on the long-term. Priorities in 2019 have also included: -

Demonstrating effective stewardship in the communities where we operate
- Develop and implement a stakeholder engagement plan to maintain strong and positive long-term relationships with our various stakeholders

Ensure the safety and engagement of our people
- Aim for zero serious safety incidents by implementing an effective safety culture across the business
- Meet or exceed all applicable labour laws and standards by introducing a new HR framework

Minimise the impact of our activities on the environment
- Achieve ISO 14001 certification to ensure we minimise how our operations negatively affect the environment, comply with applicable laws, regulations and continually improve our performance in this area

Conducting our business responsibly
- Develop and roll-out a new Code of Ethics to ensure that we conduct our business activities to the highest ethical standards and in accordance with appropriate legal and regulatory requirements.

## Directors' report *(continued)*

**Director's Duties: Stakeholders** *(continued)*

**Disclosure of information to auditors**

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 auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.The most significant event since the end of the financial year is the onset of the Covid 19 pandemic and the impacts are dealt with in the Strategic report.

**Auditor**

The auditor, PricewaterhouseCoopers LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board

**D Guerin**
**Director**
**23 June 2020**

**Registered office**
C/O Morton Fraser LLP ST Martin's House,
16 St Martin's Le Grand,
London EC1A 4EN

## Statement of Directors' responsibilities

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

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

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

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# *Independent auditors' report to the members of Ventient Energy Limited*

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Ventient Energy Limited's group financial statements and company financial statements (the"financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# *Independent auditors' report to the members of Ventient Energy Limited (continued)*

## Report on the audit of the financial statements *(continued)*

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the financial statements and the audit

*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# *Independent auditors' report to the members of Ventient Energy Limited (continued)*

## Report on the audit of the financial statements *(continued)*

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

23 June 2020

## Consolidated statement of comprehensive income
**for the year ended 31 December 2019**

| | Note | 2019<br>£'000 | 2018<br>Restated *<br>£000 |
|---|---|---|---|
| **Revenue** | 2 | 152,326 | 156,010 |
| Cost of sales | | (60,517) | (67,934) |
| **Gross profit** | | 91,809 | 88,076 |
| Administrative expenses | | (66,254) | (64,982) |
| Other income | | 360 | - |
| **Operating profit** | 3 | 25,915 | 23,094 |
| Financial income | 5 | 65 | 85 |
| Financial expenses | 5 | (37,837) | (40,077) |
| **Net financing expense** | | (37,772) | (39,992) |
| **Loss before tax** | | (11,857) | (16,898) |
| Taxation | 6 | (1,771) | 7,993 |
| **Loss for the year after tax** | | (13,628) | (8,905) |
| **Other comprehensive (expense)/income** | | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | | |
| Effective portion of changes in fair value of hedges | | (10,976) | 5,032 |
| Income tax on items that are or may be reclassified subsequently to profit or loss | | 1,276 | 212 |
| **Other comprehensive (loss)/income for the year** | | (9,700) | 5,244 |
| **Loss for the year** | | (13,628) | (8,905) |
| **Total comprehensive loss for the year** | | **(23,328)** | **(3,661)** |

*See note 22 for details regarding the restatement.

## Consolidated Balance Sheet
**As at 31 December 2019**

| | Note | 31 December 2019 £'000 | 31 December 2018 Restated * £000 | 1 January 2018 Restated * £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 7 | 467,803 | 453,112 | 476,446 |
| Intangible assets | 9 | 554,259 | 610,988 | 667,435 |
| Other financial assets | 15 | - | 854 | - |
| | | 1,022,062 | 1,064,954 | 1,143,881 |
| **Current assets** | | | | |
| Trade and other receivables | 12 | 51,341 | 56,892 | 58,297 |
| Cash and cash equivalents | | 16,383 | 17,538 | 26,159 |
| | | 67,724 | 74,430 | 84,456 |
| **Current liabilities** | | | | |
| Interest-bearing loans and borrowings | 13 | (41,160) | (39,626) | (41,199) |
| Leases | 8 | (2,096) | - | - |
| Corporation tax | | (4,081) | (5,434) | - |
| Trade and other payables | 14 | (22,641) | (21,861) | (23,631) |
| | | (69,978) | (66,921) | (64,830) |
| **Net current (liabilities)/assets** | | (2,254) | 7,509 | 19,626 |
| **Non-current liabilities** | | | | |
| Leases | 8 | (44,058) | - | - |
| Interest-bearing loans and borrowings | 13 | (663,794) | (733,794) | (805,101) |
| Other financial liabilities | 15 | (10,122) | - | (4,178) |
| Provisions | 16 | (58,385) | (54,629) | (47,923) |
| Deferred tax liabilities | 11 | (88,608) | (96,605) | (115,209) |
| | | (864,967) | (885,028) | (972,411) |
| **Net assets** | | **154,841** | **187,435** | **191,096** |
| **Equity attributable to equity holders of the parent** | | | | |
| Share capital | 17 | 42,495 | 42,495 | 42,495 |
| Hedge reserve | 17 | (7,515) | 2,185 | (3,059) |
| Capital contribution reserve | 17 | 176,049 | 176,049 | 176,049 |
| Accumulated losses | | (56,188) | (33,294) | (24,389) |
| **Total equity** | | **154,841** | **187,435** | **191,096** |

*See note 22 for details regarding the restatement.

These financial statements were approved by the Board of Directors on 23 June 2020 and were signed on its behalf by:

**D Guerin**
**Director**

Company registered number: 10595093

## Company Balance Sheet
**As at 31 December 2019**

| | *Note* | **31 December 2019 £000** | **31 December 2018 Restated * £'000** | **1 January 2018 Restated * £000** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investments | *10* | 351,908 | 345,708 | 345,708 |
| Deferred tax asset | | 4,416 | 3,158 | 1,020 |
| Other financial assets | *15* | - | 854 | - |
| | | 356,324 | 349,720 | 346,728 |
| **Current assets** | | | | |
| Other receivables | *12* | 1,008,708 | 676,770 | 707,467 |
| Cash and cash equivalents | | 1,706 | 2,769 | 1,861 |
| | | 1,010,414 | 679,539 | 709,328 |
| **Current liabilities** | | | | |
| Interest-bearing loans and borrowings | *13* | (41,160) | (39,626) | (41,199) |
| Trade and other payables | *14* | (254,225) | (69,909) | (5,796) |
| | | (295,385) | (109,535) | (46,995) |
| **Net current assets** | | 715,029 | 570,004 | 662,333 |
| **Non-current liabilities** | | | | |
| Interest-bearing loans and borrowings | *13* | (663,794) | (733,794) | (805,101) |
| Other financial liabilities | *15* | (10,122) | - | (4,178) |
| | | (673,916) | (733,794) | (809,279) |
| **Net assets** | | **397,437** | **185,930** | **199,782** |
| **Equity attributable to equity holders of the parent** | | | | |
| Share capital | *17* | 42,495 | 42,495 | 42,495 |
| Hedge reserve | *17* | (7,515) | 2,185 | (3,059) |
| Capital contribution reserve | *17* | 176,049 | 176,049 | 176,049 |
| Retained earnings/(accumulated losses) | | 186,408 | (34,799) | (15,703) |
| **Total equity** | | **397,437** | **185,930** | **199,782** |

*See note 22 for details regarding the restatement.

The profit for the Company for the year ended 31 December 2019 was £221,207,000.

These financial statements were approved by the Board of Directors on 23 June 2020 and were signed on its behalf by:

**D Guerin**
**Director**

Company registered number: 10595093

## Consolidated Statement of Changes in Equity

| Year ended 31 December 2019 | Share capital £000 | Hedge reserve £000 | Capital reserve £000 | Accumulated Losses £000 | Total equity £000 |
|---|---|---|---|---|---|
| **At 31 December 2018** (as originally presented) | 42,495 | 2,185 | 176,049 | (42,317) | 178,412 |
| Prior period adjustments | - | - | - | 9,023 | 9,023 |
| **Restated total equity as at 1 January 2019** | 42,495 | 2,185 | 176,049 | (33,294) | 187,435 |
| Adjustment on adoption of IFRS 16 | - | - | - | (9,266) | (9,266) |
| **Total comprehensive loss for the year** | | | | | |
| Loss for the year | - | - | - | (13,628) | (13,628) |
| Effective portion of changes in cash flow hedge, net of tax | - | (9,700) | - | - | (9,700) |
| Total comprehensive loss for the year | - | (9,700) | - | (13,628) | (23,328) |
| **Balance at 31 December 2019** | **42,495** | **(7,515)** | **176,049** | **(56,188)** | **154,841** |

## Consolidated Statement of Changes in Equity (Continued)

| Year ended 31 December 2018 | Share capital £000 | Hedge reserve £000 | Capital reserve £000 | Accumulated Losses £000 | Total Equity £000 |
|---|---|---|---|---|---|
| **At 31 December 2017** (as originally presented) | 42,495 | (3,059) | 176,049 | (20,415) | 195,070 |
| Prior period adjustments | - | - | - | (3,974) | (3,974) |
| **Restated total equity at 1 January 2018** | 42,495 | (3,059) | 176,049 | (24,389) | 191,096 |
| **Total comprehensive loss for the year** | | | | | |
| Loss for the year (restated) | - | - | - | (8,905) | (8,905) |
| Effective portion of changes in cash flow hedge, net of tax | - | 5,244 | - | - | 5,244 |
| Total comprehensive loss for the year | - | 5,244 | - | (8,905) | (3,661) |
| **Balance at 31 December 2018** | **42,495** | **2,185** | **176,049** | **(33,294)** | **187,435** |

## Company Statement of Changes in Equity

| **Year ended 31 December 2019** | **Share capital £000** | **Hedge reserve £000** | **Capital Reserve £000** | **(Accumulated losses)/ retained earnings £000** | **Total Equity £000** |
|---|---|---|---|---|---|
| **At 31 December 2018** (as originally presented) | 42,495 | 2,185 | 176,049 | (8,789) | 211,940 |
| Prior period adjustments | - | - | - | (26,010) | (26,010) |
| **Restated total equity as at 1 January 2019** | 42,495 | 2,185 | 176,049 | (34,799) | 185,930 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 221,207 | 221,207 |
| Other comprehensive loss, net of tax | - | (9,700) | - | - | (9,700) |
| Total comprehensive income for the year | - | (9,700) | - | 221,207 | 211,507 |
| **Balance at 31 December 2019** | **42,495** | **(7,515)** | **176,049** | **186,408** | **397,437** |

## Company Statement of Changes in Equity (continued)

| | Share capital | Hedge reserve | Capital reserve | Retained earnings/ (accumulated losses) | Total equity |
|---|---|---|---|---|---|
| **Year ended 31 December 2018** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **At 31 December 2017** (as originally presented) | 42,495 | (3,059) | 176,049 | 10,306 | 225,791 |
| Prior period adjustments | - | - | - | (26,010) | (26,010) |
| **Restated total equity at 1 January 2018** | 42,495 | (3,059) | 176,049 | (15,704) | 199,781 |
| **Total comprehensive income for the year** | | | | | |
| Loss for the year | - | - | - | (19,095) | (19,095) |
| Other comprehensive profit, net of tax | - | 5,244 | - | - | 5,244 |
| Total comprehensive loss for the year | - | 5,244 | - | (19,095) | (13,851) |
| **Balance at 31 December 2018** | **42,495** | **2,185** | **176,049** | **(34,799)** | **185,930** |

## Consolidated Cash Flow Statement
**for year ended 31 December 2019**

| | 2019 £000 | 2018 Restated * £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | (13,628) | (8,905) |
| *Adjusted for:* | | |
| Depreciation of tangible fixed assets | 28,251 | 28,018 |
| Amortisation of intangible fixed assets | 56,729 | 56,447 |
| Loss on disposal of fixed assets | 26 | 616 |
| Financial income | (65) | (85) |
| Financial expense | 37,837 | 40,077 |
| Taxation | 1,771 | (7,993) |
| | 110,921 | 108,175 |
| Decrease in trade and other receivables | 5,551 | 6,341 |
| Decrease in trade and other payables | (2,862) | (4,236) |
| | 113,610 | 110,280 |
| Tax paid | (9,445) | (2,500) |
| **Net cash inflow from operating activities** | 104,165 | 107,780 |
| **Cash flows from investing activities** | | |
| Proceeds from sales of assets | 19 | - |
| Refund received on fixed assets | - | 3,425 |
| Interest received | 65 | 85 |
| Acquisition of property, plant and equipment | (1,568) | (2,692) |
| **Net cash (outflow) / inflow from investing activities** | (1,484) | 818 |
| **Cash flows from financing activities** | | |
| Repayment of loans and borrowings | (70,108) | (79,000) |
| Interest paid | (33,728) | (38,219) |
| **Net cash outflow from financing activities** | (103,836) | (117,219) |
| Net decrease in cash and cash equivalents | (1,155) | (8,621) |
| Cash and cash equivalents at 1 January | 17,538 | 26,159 |
| **Cash and cash equivalents at 31 December** | **16,383** | **17,538** |

*See note 22 for details regarding the restatement.

## Notes to the Financial Statements

*1. Accounting policies*

Ventient Energy Limited (the "Company") is a private company, limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 10595093 and the registered address is C/O Morton Fraser 16 St. Martin's Le Grand, St Martins House, London, England, EC1A 4EN. The company was incorporated on 1 February 2017.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its Group. The Parent Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101. The Group and the Company financial statements are prepared in accordance with the Companies Act 2006.

The accounting policies set out below have been applied consistently in these Group financial statements except for a number of restatements identified and explained in note 22.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in section 1.19.

The Group's financial statements are presented in sterling, which is the Group's functional currency.

### 1.1 *Measurement convention*

The financial statements are prepared on the historical cost basis except for certain financial instruments which are stated at their fair value. All values are rounded to the nearest thousand (£000) except where otherwise indicated.

### 1.2 *Going concern*

The directors continually identify and monitor risks and uncertainties facing the business and have specifically considered those risks which potentially affect the company's ability to continue as a going concern for the period of twelve months from the date of the approval of the financial statements.

The principal risks facing the business, and mitigations, are detailed in the Strategic Report.

Both the Group and Company had positive net assets, and, whilst the Group showed a modest net current liability position at 31 December 2019, the company had net current assets at 31 December 2019. The Group operates on consistently high margins before non-cash items of depreciation and amortisation.

The Group has capacity available under its borrowing facilities which are detailed in note 13 to the financial statements. Future cash flows are continually reviewed in rolling quarterly and semi-annual forecasts. The Group is fully compliant with the covenants related to its borrowing facilities and has substantial headroom.

The directors consider it appropriate that, given the above financial position, the company will be able to continue in operation and meet its liabilities as they fall due over the twelve months from the date of approval of these financial statements.

## Notes to the Financial Statements

### 1 Accounting policies *(continued)*

### 1.2 *Going concern (continued)*

With the advent of the 2020 Covid-19 Global Pandemic the Directors have risk assessed the likely scenarios and outcomes this may have on the business. As a result, the Directors can demonstrate that even under a plausible downside scenario arising from Covid-19, the business is still able to meet it's bank covenants and liquidity requirements with a considerable safety margin. The Directors consider it appropriate to adopt the going concern basis of accounting in relation to 2019 financial statements, as there are no material uncertainties in the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

### 1.3 *Basis of consolidation*

*Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

### 1.4 *Foreign currency*

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

### 1.5 *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

*Trade and other receivables*

Trade and other receivables are recognised initially at the amount of consideration that is unconditional. Subsequent to initial recognition a loss allowance is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

*Trade and other payables*

Trade and other payables are carried at cost.

*Investments in debt and equity securities*

All fixed asset investments held are stated at cost less impairment. A review of investments held is performed annually to determine whether an impairment trigger has occurred during the year. Any impairment in the value of the investment is charged to the income statement in the year it is identified.

## Notes to the Financial Statements

### 1 Accounting policies (continued)

### *1.5 Non-derivative financial instruments (continued)*

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

*Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### 1.6 *Non-derivative financial instruments*

*Cash flow hedges that qualify for hedge accounting*

The Group uses interest rate swaps to hedge its interest rate risk exposure. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in the hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). Amounts taken to OCI are transferred to the Income Statement when the hedging instrument expires or is terminated.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

### 1.7 *Property, plant and equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs (including interest) directly attributable to bringing the asset to a working condition for its intended use. During the construction phase these assets are held separately and depreciation commences once the asset is commissioned.

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the final economic benefits will flow to the Group. The carrying amount of the asset replaced is then derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement.

## Notes to the Financial Statements

**1 Accounting policies** *(continued)*

***1.7 Property, plant and equipment*** *(continued)*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- wind farm assets 20-25 years
- decommissioning assets 20-30 years
- office equipment 3 years
- office building 10 years
- motor vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

***1.8 Leases***

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if the rate can be determined, or the Group's incremental borrowing rate appropriate for the right-of-use asset arising from the lease.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

***1.9 Intangible assets***

*Wind usage rights*

Wind usage rights represent the combination of the Renewable Energy Certificates and Power Purchase Agreements in place at each site at the time of acquisition.

Wind usage rights that are acquired by the Group are stated at fair value as at the acquisition date.

*Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the useful estimated remaining useful lives of the intangible assets as at the time of acquisition, 4 – 25 years.

## Notes to the Financial Statements

### 1 Accounting policies *(continued)*

#### 1.10 *Impairment*

*Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

#### 1.11 *Business combinations*

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (at fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Where a business combination involves an entity under common control it falls outside the scope of IFRS 3 Business Combinations. The entities acquired are transferred in at the fair value of the net assets as at the date of transfer. Any difference between the carrying amount of the net assets acquired and the consideration paid is recognised within reserves at the date of transfer.

## Notes to the Financial Statements

1 Accounting policies *(continued)*

### 1.12 *Provisions*

*Decommissioning of wind farms*

A provision is made for the decommissioning of the wind farms based on the Group's best estimate of the cost of decommissioning. These costs are a contractual obligation when the planning consent is granted to ensure appropriate restoration of the land.

Provisions for decommissioning are recognised in full when the related facilities are constructed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment as a decommissioning asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed at each balance sheet date. Changes in the estimated timing and value of decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset cost. The unwinding of the discount on the decommissioning provision is included as a finance cost.

### 1.13 *Revenue*

Revenue is the income derived from the sale of generated electricity and associated renewable certificates (ROCs) and embedded benefits, measured at the fair value of consideration received or receivable, net of value added tax to electricity retailers. All revenue is generated in the United Kingdom.

Revenue is recognised where there is a signed unconditional contract of sale and is based upon the quantity of generated electricity exported and the contracted prices on the date of generation. In the case of ROC Recycle income, where the ROC price is not confirmed until after the balance sheet date, income is accrued and recognised based on an estimated unit price as provided by an industry leading independent third party.

The company is obliged to deliver power and to record the quantity and value accurately. These obligations are satisfied when the wholesale customer submits monthly self-billing statements of usage and these have been matched to the Group's generation records.

Prior year restatements include a change in accounting policy of ROC Recycle income from a cash receipt basis to an income recognition basis based on an estimated unit price. Refer to note 22.

### 1.14 *Expenses*

*Operating lease payments*

Financial year 2018 payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. For financial year 2019 refer to note 8.

*Royalty payments*

Royalty payments to landlords are recognised in the income statement as they accrue, based on the terms of the agreement with the landlord at each site.

### 1.15 *Finance costs*

Finance costs are recognised in the income statement as they accrue, using the effective interest method. Costs incurred in raising finance are capitalised and amortised over the length of the borrowing. Additional costs incurred due to the redemption of a facility are charged to the income statement in the year in which they are incurred.

## Notes to the Financial Statements

**1 Accounting policies** *(continued)*

**1.15 *Finance costs*** *(continued)*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time (more than 12 months) to be prepared for use, are capitalised as part of the cost of that asset.

**1.16 *Finance income***

Finance income arises on cash deposits and funds invested and is recognised in the income statement as it accrues, using the effective interest method.

**1.17 *Employee benefits***

*Wages and Salaries and Other short-term obligations*

All liabilities in respect of employees' wages and salaries for services rendered, including annual leave are expected to be discharged within 12 months of the end of the reporting period in which these services were rendered. Amounts are measured at the amount expected to be paid when the liabilities are settled.

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

**1.18 *Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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 or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes to the Financial Statements

**1 Accounting policies** *(continued)*

***1.19 Accounting estimates and judgements***

In the process of applying the Group's accounting policies, management necessarily makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting estimates are explained below.

*Valuation of wind rights acquired*

Wind rights acquired via a business combination were initially valued based on the net present value of expected cash flows from electricity generation. A number of assumptions were made in arriving at such valuations which include price Wind - capacity and wind yields.

Assumptions were also required to determine the cash generating unit to which each intangible asset is allocated, and the discount rate applied, in the net present value calculation.

The judgments applied, and the assumptions underpinning them, were considered to be appropriate at the time of valuation. However, a change in these assumptions could impact upon the value of an intangible asset recognised upon acquisition.

*Impairment*

In assessing impairment, judgment is required to establish whether there have been indicators of impairment for all amortising and depreciating non-current assets.

Once the need for a review of the carrying value of an asset has been determined, valuation requires estimation techniques similar to those used for the valuation of wind usage rights and is therefore subject to similar estimates and judgments.

*Estimation of useful economic life*

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement. The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and is based on the shorter of technical life, economic life and contractual rights. This then reviewed annually for appropriateness and extended to the extent that the contractual rights allow it to be extended.

*Decommissioning provision*

Amounts used in recording a provision for decommissioning of wind farms are estimates based on current legal and constructive requirements. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on an annual basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining useful lives for each wind farm. While the Group uses its best estimates and judgement, actual results could differ from these estimates. In estimating decommissioning provisions, the Group applies average annual inflation rates of 3.04% and discount rates of 0.74% to 1.60%.

*ROC Recycle*

The confirmed price for ROC recycle income is not known until after the balance sheet date. As such, income is recognised based on an estimated unit price as provided by an industry leading independent third party.

## Notes to the Financial Statements

### 1 Accounting policies *(continued)*

### 1.20 *IFRS adopted during the year*

IFRS 16: Leases is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see note 8. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

Ventient has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedge relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to Ventient are:

- When considering the 'highly probable' requirement, Ventient has assumed that the GBP LIBOR interest rate on which hedged debts are based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis Ventient has assumed that he GBP LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by IBOR reform.
- Ventient will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outsider the required 80-125% range.

### 1.21 *Adopted IFRS not yet applied*

Other accounting standards and interpretations have been published and will be mandatory for the Group's accounting period beginning on or after 1 January 2020 or later periods. The impact of these standards is not expected to be material to the reported results and financial position of the Group.

## Notes to the Financial Statements

### 2 Revenue

The group derives revenue from the sale of electricity generated from onshore wind turbines in the UK. Other sources of revenue includes curtailment, liquidated damages and temporary agreements.

| | 2019 £000 | 2018 Restated * £000 |
|---|---|---|
| Income from external customers | 150,654 | 150,396 |
| Other sources of revenue | 1,672 | 5,614 |
| | **152,326** | **156,010** |

*See note 22 for details regarding the restatement.

Economic factors that can affect the nature and uncertainty of revenue are the impact of the wholesale energy price on our variable price PPAs. The majority of our PPAs are fixed and others are affected by changes in the traded power market price.

For any revenue stream driven by generation (Traded Power, BSUoS), the performance obligation is satisfied by the transfer of power within the month. This is reconciled in the month of invoicing through the receipt of a customer statement, the Ventient invoice, and subsequent payment. For the ROC Buyout, the performance obligation is satisfied by the transfer of ROCs from Ofgem to the customer. Both Ventient and the customer receive notice of this.

## Notes to the Financial Statements

### 3 Operating profit

Included in operating profit are the following:

| | 2019 £000 | 2018 Restated * £000 |
|---|---|---|
| Depreciation of property, plant and equipment | 28,251 | 28,018 |
| - which includes depreciation of right of use assets (Note 8) | 1,929 | - |
| Amortisation of intangible fixed assets | 56,729 | 56,447 |
| Payments to landlords for royalties | 7,181 | 6,454 |

*See note 22 for details regarding the restatement.

*Auditors' remuneration:*

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Audit of these financial statements | 50 | 83 |
| Amounts receivable by the company's auditors and its associates in respect of: | | |
| Audit of financial statements of subsidiaries of the company | 240 | 267 |
| Taxation compliance services | - | 121 |
| Other tax advisory services | - | 10 |
| Other advisory services | - | 90 |
| | **290** | **571** |

### 4 Staff numbers and costs

The average number of persons employed by the Group during the year was as follows:

| | Number of Employees 2019 | 2018 |
|---|---|---|
| Directors | 6 | 7 |
| Staff | 45 | 37 |
| | **51** | **44** |

## Notes to the Financial Statements

**4. Staff numbers and costs** (continued)

The aggregate payroll costs of these persons were as follows:

Information regarding payments to employees (excluding directors):

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Wages and salaries | 2,987 | 2,397 |
| Social security costs | 307 | 244 |
| Contributions to defined contribution plans | 136 | 63 |
| | **3,430** | **2,704** |
| Directors fees | 310 | 360 |
| Directors salaries | 532 | 463 |
| Directors bonus | 201 | 172 |
| Contributions to defined contribution plans | 30 | 64 |
| Compensation for loss of office | - | 88 |
| | **1,073** | **1,147** |

No defined contribution pension payments were outstanding at the year end.

Information regarding payments to key management personnel, defined as the senior management team:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Short term employee benefits | 1,533 | 1,416 |
| Contributions to defined contribution plans | 78 | 105 |
| | 1,612 | 1,521 |

Information regarding the highest paid director is as follows:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Emoluments etc | 592 | 599 |
| Contributions to defined contribution plans | 28 | 64 |

## Notes to the Financial Statements

### 5 Finance income and expense

**Recognised in profit or loss**

| | 2019 £000 | 2018 Restated * £000 |
|---|---|---|
| **Finance income** | | |
| Bank and other interest receivable | 65 | 85 |
| **Total finance income** | **65** | **85** |
| **Finance expense** | | |
| Interest payable on loans and borrowings | (14,241) | (13,982) |
| Interest payable on loans from related parties | (17,561) | (20,299) |
| Interest on lease liability | (1,914) | - |
| Interest on swaps | (1,996) | (3,659) |
| Amortisation of debt issue costs | (1,642) | (1,463) |
| Unwinding of discount on decommissioning provision | (483) | (674) |
| **Total finance expense** | **(37,837)** | **(40,077)** |

*See note 22 for details regarding the restatement.

## Notes to the Financial Statements

### 6 Taxation

**Recognised in the income statement**

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Current tax expense | | |
| Current period | 6,809 | 4,553 |
| Adjustments in respect of prior periods | 1,238 | 5,846 |
| Current tax income | 8,047 | 10,399 |
| Deferred tax credit | | |
| Origination and reversal of temporary differences | (6,008) | (7,985) |
| Adjustments in respect of prior periods | (268) | (10,407) |
| Deferred tax income | (6,276) | (18,392) |
| Tax charge/(credit) | 1,771 | (7,993) |
| Total tax charge/(credit) | **1,771** | **(7,993)** |

**Income tax recognised in other comprehensive income**

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Change in fair value of cash flow hedges | (1,276) | (212) |
| | **(1,276)** | **(212)** |

## Notes to the Financial Statements

**6 Taxation** (continued)

**Reconciliation of effective tax rate**

| | **2019** | **Restated 2018** |
|---|---|---|
| | **£000** | **£000** |
| Loss for the period before taxation | (11,857) | (16,898) |
| Tax using the UK corporation tax rate of 19% (2018: 19%) | (2,253) | (3,210) |
| Permanent timing adjustments | 686 | 2,640 |
| Impact of difference between CT and DT rate | (233) | (392) |
| Adjustments in respect of prior periods | 990 | (7,031) |
| Change in recognition of deferred tax assets | 2,581 | - |
| Total tax expense/(credit) | **1,771** | **(7,993)** |

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2019, would be to increase the deferred tax liability by £10,424,000.

## Notes to the Financial Statements

### 7 Property, plant and equipment

| Group | Wind farm assets £000 | As restated Decomm-issioning assets £000 | Office Equipment £000 | Office Building £000 | Motor Vehicles £000 | Restated Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2018 | 454,948 | 33,827 | 213 | - | - | 488,988 |
| Additions | 2,427 | 6,033 | 265 | - | - | 8,725 |
| Disposals | (609) | - | (11) | - | - | (620) |
| Refund received | (3,425) | - | - | - | - | (3,425) |
| Balance at 31 December 2018 | 453,341 | 39,860 | 467 | - | - | 493,668 |
| At 31 December 2018 | 453,341 | 39,860 | 467 | - | - | 493,668 |
| Adjustment on adoption of IFRS 16 (Note 21) | 43,698 | - | - | 1,446 | - | 45,144 |
| At 1 January 2019 | 497,039 | 39,860 | 467 | 1,446 | - | 538,812 |
| Additions | 8,232 | 3,273 | 1 | - | 163 | 11,669 |
| Disposals | (26) | - | - | - | - | (26) |
| Transfers | (8) | - | 8 | - | - | - |
| **Balance at 31 December 2019** | **505,237** | **43,133** | **476** | **1,446** | **163** | **550,455** |
| **Depreciation** | | | | | | |
| At 1 January 2018 | 11,330 | 1,191 | 21 | - | - | 12,542 |
| Charge for year | 24,694 | 3,258 | 66 | - | - | 28,018 |
| Disposals | - | - | (4) | - | - | (4) |
| Balance at 31 December 2018 | 36,024 | 4,449 | 83 | - | - | 40,556 |
| At 31 December 2018 | 36,024 | 4,449 | 83 | - | - | 40,556 |
| Adjustment on adoption of IFRS 16 (Note 21) | 13,845 | - | - | - | - | 13,845 |
| At 1 January 2019 | 49,869 | 4,449 | 83 | - | - | 54,401 |
| Charge for the year | 24,954 | 3,054 | 57 | 145 | 41 | 28,251 |
| **Balance at 31 December 2019** | **74,823** | **7,503** | **140** | **145** | **41** | **82,652** |
| **Net book value** | | | | | | |
| **At 31 December 2019** | **430,414** | **35,630** | **336** | **1,301** | **122** | **467,803** |
| At 31 December 2018 | 417,317 | 35,411 | 384 | - | - | 453,112 |

## Notes to the Financial Statements

**8 Leases**

The Group has lease contracts for windfarm assets used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

**(i) Amounts recognised in the statement of financial position**

The balance sheet shows the following amounts relating to leases:

| **Group** | **31 Dec 2019 £000** | **1 Jan 2019 [1] £000** |
|---|---|---|
| **Right-of-use-assets** | | |
| Windfarm assets | 34,775 | 29,853 |
| Office building | 1,301 | 1,446 |
| Motor vehicles | 122 | - |
| | 36,198 | 31,299 |
| **Lease liabilities** | | |
| Current | 2,096 | 1,274 |
| Non-current | 44,058 | 39,291 |
| | 46,154 | 40,565 |

[1] For adjustments recognised in the adoption of IFRS 16 on 1 January 2019, please refer to note 23.

Right of use assets are included in Property, Plant and Equipment, Office Building and Motor Vehicles (Note 7).

Additions to the right-of-use assets during the 2019 financial year were £6,828,000.

## Notes to the Financial Statements

**8** Leases (continued)

**(ii) Amounts recognised in the income statement**

The income statement shows the following amounts relating to leases:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Wind farm assets | 1,743 | - |
| Office building | 145 | - |
| Motor vehicles | 41 | - |
| | 1,929 | - |
| Interest expense (Note 5) | 1,914 | - |
| Expenses relating to variable lease payments not included in lease payments | 3,825 | 3,399 |

Future minimum lease payments as at 31 December 2019 are as follows:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Not later than one year | 3,949 | 2,896 |
| Later than one year and not later than five years | 16,255 | 12,466 |
| Later than five years | 45,168 | 44,488 |
| Total gross payments | 65,372 | 59,850 |
| Impact of finance expense | (19,218) | (19,284) |
| Carrying amount of liability | 46,154 | 40,565 |

The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of the initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The total cash outflow for leases in 2019 was £7,074,000 (2018: £5,161,000).

The leases include windfarms, motor vehicles and an office building. Rental contracts are typically made for fixed periods of 6 months to 30 years, there may be options to extend.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

## Notes to the Financial Statements

### 9 Intangible assets

| **Group** | **As restated Wind Usage Rights £000** | **As restated Total £000** |
|---|---|---|
| **Cost** | | |
| **At 1 January 2018 and 31 December 2018 and 2019** | **687,376** | **687,376** |
| **Amortisation** | | |
| At 1 January 2018 | 19,941 | 19,941 |
| Charge for the year | 56,447 | 56,447 |
| Balance at 31 December 2018 | 76,388 | 76,388 |
| At 1 January 2019 | 76,388 | 76,388 |
| Charge for the year | 56,729 | 56,729 |
| **At 31 December 2019** | 133,117 | 133,117 |
| **Net book value** | | |
| **At 31 December 2019** | **554,259** | **554,259** |
| At 31 December 2018 | 610,988 | 610,988 |

*Amortisation charge*

The amortisation charge is recognised in the following line items in the income statement:

| | **2019 £000** | **As restated 2018 £000** |
|---|---|---|
| Administrative expenses | 56,729 | 56,447 |
| | **56,729** | **56,447** |

## Notes to the Financial Statements

**9 Intangible assets (continued)**

Wind usage rights represents the combination of the Renewable Energy Certificates and Power Purchase Agreements in place at each site at the time of acquisition. The remaining amortisation periods range from 2 to 23 years.

Each windfarms' operating life is further assessed as the lower of (sooner) the Lease termination, project planning end date or economic life end date.

Impairment loss

At the end of each year, the Group assesses assets for impairment as described in note 1, by first assessing whether there have been any indicators (both internal and external) that an impairment has occurred. Impairment assessments are considered at individual site level, which is considered an appropriate CGU.

Impairment assessments were conducted to compare the carrying value of a cash generating unit (CGU) to the net present value of the future cash flows it is expected to generate, discounted at a rate that management have determined reflects the specific risks relating to the business. The Group forecasts CGU cash flows to the end of the CGU's useful life. The pre-tax discount rate used was *5% to 8%* (2018: 5% to 8%). Key assumptions used in the calculation of recoverable amounts are the future forecasted pricing and generation and the pre-tax discount rate. The values assigned to the key assumptions represent management's assessment of future trends in the industry and were based on both internal and external sources (prospective and historical data).

An impairment loss is recognised if the carrying amount of a CGU exceeds its recoverable amount which is equal to the value of the future discounted cash flows. Impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The value in use modelling has been assessed for sensitivities, no reasonable sensitivity applied to forecast pricing and generation or discount rate give rise to a material impairment charge.

## Notes to the Financial Statements

### 10 Investments

**Company**

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| **Cost** | | |
| At 1 January | 345,708 | 345,708 |
| Additions | 6,200 | - |
| Balance at 31 December | 351,908 | 345,708 |
| Impairment | | |
| At 1 January | - | - |
| Provisions for the year | - | - |
| **At 31 December** | - | - |
| **Net book value** | | |
| **At 31 December** | **351,908** | **345,708** |

Additions to investments arose from a group entity restructure and entities transferred at fair value.

The Group and Company have the following investments in subsidiaries:

| | Country of incorporation | Class of shares held | 2019 | 2018 |
|---|---|---|---|---|
| **Directly held by the Company** | | | | |
| Mobius Wind Holdings Limited | England and Wales | Ordinary | 100% | 100% |
| Mobius Wind Holdings 2 Limited | England and Wales | Ordinary | 100% | 100% |
| Ventient Energy Services Limited | Scotland | Ordinary | 100% | 100% |
| Headwind Development Services Limited | England and Wales | Ordinary | 100% | - |
| Zephyr Investments Limited | England and Wales | Ordinary | - | 100% |

## Notes to the Financial Statements

**10 Investments** (continued)

**Indirectly held by the Company**

| | | | | |
|---|---|---|---|---|
| Zephyr Investments Limited | England and Wales | Ordinary | **100%** | **-** |
| Headwind Development Services Limited | England and Wales | Ordinary | **-** | **100%** |
| Ardrosssan Wind Farm (Scotland) Limited | Scotland | Ordinary | **100%** | **100%** |
| A'Chruach Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Bears Down Windfarm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Blackstone Edge Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Beaufort Wind Limited | England and Wales | Ordinary | **100%** | **100%** |
| Causeymire Windfarm Limited | Scotland | Ordinary | **100%** | **100%** |
| Dalswinton Windfarm (Scotland) Limited | Scotland | Ordinary | **100%** | **100%** |
| Ffynnon Oer Windfarm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Farr Windfarm Limited | Scotland | Ordinary | **100%** | **100%** |
| Galawhistle Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Gordonstown Hill Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Glenkerie Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Hill of Fiddes Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Lissett Airfield Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Low Spinney Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Minsca Windfarm (Scotland) Limited | Scotland | Ordinary | **100%** | **100%** |
| Mynydd Clogau Windfarm Limited | England and Wales | Ordinary | **100%** | **100%** |
| North Steads Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Rheidol Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Sisters Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Seamer Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Tedder Hill Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Westfield Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Wingates Wind Farm Limited | England and Wales | Ordinary | **100%** | **100%** |
| Mobius Estates Limited | England and Wales | Ordinary | **100%** | **100%** |
| Windy standard Limited | Scotland | Ordinary | **100%** | **100%** |
| Polwhat Rig Windfarm Limited | Scotland | Ordinary | **100%** | **100%** |
| Gallow Rig Windfarm Limited | Scotland | Ordinary | **100%** | **100%** |
| Mobius Renewables Generation (GB) Limited | Scotland | Ordinary | **100%** | **100%** |
| Mobius Renewables Generation (GB2) Limited | England and Wales | Ordinary | **100%** | **100%** |
| Jupiter Acquisitions Limited | England and Wales | Ordinary | **100%** | **100%** |
| Ardrossan Holdings Limited | Scotland | Ordinary | **100%** | **100%** |
| Mobius Argyle Limited | England and Wales | Ordinary | **100%** | **100%** |
| Mobius Gala Limited | England and Wales | Ordinary | **100%** | **100%** |
| North Steads Wind Farm Holdings Limited | England and Wales | Ordinary | **100%** | **100%** |

## Notes to the Financial Statements

10 **Investments** (continued)

| | | | | |
|---|---|---|---|---|
| **Companies in liquidation** | | | | |
| Mynydd Clogau Windfarm (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Mobius Ashington Limited | England and Wales | Ordinary | - | 100% |
| Argyle Wind (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Bruno Wind (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Maestro (Holdings 2) Limited | England and Wales | Ordinary | - | 100% |
| Glenkerie Holdings Limited | England and Wales | Ordinary | - | 100% |
| Headwind Beinn Ghlas Wind Farm Limited | England and Wales | Ordinary | - | 100% |
| Headwind Kirkby Moor Wind farm Limited | England and Wales | Ordinary | - | 100% |
| Headwind Lambrigg Wind Farm Limited | England and Wales | Ordinary | - | 100% |
| Headwind Taff Ely Wind Farm Limited | England and Wales | Ordinary | - | 100% |
| Mobius Blue Sky 1 Limited | England and Wales | Ordinary | - | 100% |
| Mobius Gala 1 Limited | England and Wales | Ordinary | - | 100% |
| Mobius Sisters (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Jupiter Acquisitions (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Lissett Airfield Holdings Limited | England and Wales | Ordinary | - | 100% |
| Rheiidol Wind Farm (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Meastro (Holdings 2) Limited | England and Wales | Ordinary | - | 100% |
| **Companies pending liquidation** | | | | |
| Mynydd Clogau Windfarm (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Mobius Ashington Limited | England and Wales | Ordinary | - | 100% |
| Argyle Wind (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Bruno Wind (Holdings) Limited | England and Wales | Ordinary | - | 100% |
| Maestro (Holdings 2) Limited | England and Wales | Ordinary | - | 100% |

The Company owned 100% of the ordinary share capital of all directly and indirectly owned subsidiaries at 31December 2019 and 2018. The registered address for all companies incorporated in England and Wales above is C/O Morton Fraser LLP, St Martin's House, 16 St Martin's Le Grand, London, EC1A 4EN, the registered address for all companies incorporated in Scotland above is C/O Morton Fraser LLP, 2 Lister Square, Quartermile Two, Edinburgh, Scotland, EH3 9GL.

On 15 August 2019, an entity rationalisation was approved by the Board, the aim being to remove mid-tier holding entities.

On 12 December 2019, the Board approved the liquidation of the above entities and a liquidator was appointed.

Under S497 of the Companies Act 2006, the following companies are exempt from audit with a guarantee by Ventient Energy Ltd.

| | | | | |
|---|---|---|---|---|
| Mobius Renewables Generation GB Limited | Scotland | Ordinary | - | 100% |
| Mobius Renewables Generation GB2 Limited | Scotland | Ordinary | - | 100% |
| Gallow Rig Limited | Scotland | Ordinary | - | 100% |

## Notes to the Financial Statements

### 11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

| | Group Assets 2019 £000 | Group Liabilities 2019 £000 | Group Assets 2018 £000 | Group Liabilities 2018 £000 |
|---|---|---|---|---|
| Property, plant and equipment | - | 32,723 | - | 32,695 |
| Intangible assets | - | 73,510 | - | 84,079 |
| Derivative financial liabilities | (1,721) | - | (445) | - |
| Tax value of losses carried forward | (7,414) | - | (9,595) | - |
| IFRS 16 | (1,524) | - | - | - |
| Corporate interest relief | (6,966) | - | (10,129) | - |
| Tax (assets) / liabilities | (17,625) | 106,233 | (20,169) | 116,774 |
| Net tax (assets) / liabilities | - | **88,608** | - | **96,605** |

Movement in deferred tax during the year

| | Recognised in other comprehensive income £000 | Recognised in income statement £000 | 31 December 2019 £000 |
|---|---|---|---|
| Property, plant and equipment | - | 28 | 32,723 |
| Intangible assets | - | (10,569) | 73,510 |
| Financial liabilities | (1,276) | - | (1,721) |
| Tax value of loss carry-forwards utilised | - | 2,181 | (7,414) |
| IFRS 16 | - | (1,524) | (1,524) |
| Corporate interest relief | - | 3,163 | (6,966) |
| | **(1,276)** | **(6,721)** | **88,608** |

| | Recognised in other comprehensive income £000 | Recognised in income Statement £000 | 31 December 2018 £000 |
|---|---|---|---|
| Property, plant and equipment | - | (4,963) | 32,695 |
| Intangible assets | - | (11,316) | 84,079 |
| Financial liabilities | (212) | - | (445) |
| Tax value of loss carry-forwards utilised | - | 5,145 | (9,595) |
| Corporate interest relief | - | (7,258) | (10,129) |
| | **(212)** | **(18,392)** | **96,605** |

## Notes to the Financial Statements

### 11 Deferred tax assets and liabilities (continued)

The Group has no unrecognised tax losses and there is no time limit on the expiry of recognised tax losses.

### 12 Trade and other receivables

| | Group | Company | Restated Group Restated * | Restated Company Restated * |
|---|---|---|---|---|
| | 2019 | 2019 | 2018 | 2018 |
| | £000 | £000 | £000 | £000 |
| Amounts owed by related parties | 801 | 441 | 441 | 441 |
| Amounts owed by group undertakings | - | 1,008,200 | - | 676,102 |
| Trade receivables | 6,989 | - | 17,927 | - |
| Accrued income | 37,627 | - | 34,292 | - |
| Other receivables | 2,756 | - | 1,346 | 158 |
| Prepayments | 3,168 | 67 | 2,886 | 69 |
| | **51,341** | **1,008,708** | **56,892** | **676,770** |

*See note 22 for details regarding the restatement.

### 13 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Information relating to interest rates and liquidity is included in note 18.

| **Group and Company** | Group 2019 £000 | Company 2019 £000 | Group 2018 £000 | Company 2018 £000 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Secured bank loans | 41,160 | 41,160 | 39,626 | 39,626 |
| | **41,160** | **41,160** | **39,626** | **39,626** |
| **Non-current liabilities** | | | | |
| Secured bank loans | 476,376 | 476,376 | 515,894 | 515,894 |
| Amounts owed to related parties | 187,418 | 187,418 | 217,900 | 217,900 |
| | **663,794** | **663,794** | **733,794** | **733,794** |

At 31 December 2019 the carrying value of the debt included £15,871,000 (2018: £13,984,000) of unamortised capitalised transaction fees. Amounts owed to related parties are 8.5% loan notes due 2037.

## Notes to the Financial Statements

### 13 Interest-bearing loans and borrowings (continued)

The Group had undrawn borrowing facilities at 31 December 2019 of £55 million (2018: £55 million), £13 million (2018: £15 million) of the RCF facility was in use to cover issued Letters of Credit.

### 14 Trade and other payables

| | Group 2019 £000 | Company 2019 £000 | Group 2018 Restated * £000 | Company 2018 £000 |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | 3,362 | 7 | 281 | 9 |
| Accrued expenses | 11,550 | 621 | 13,914 | 796 |
| Interest payable | 72 | - | 68 | 68 |
| Amounts due to group undertakings | - | 253,597 | - | 69,036 |
| Other payables | 7,657 | - | 7,598 | - |
| | **22,641** | **254,225** | **21,861** | **69,909** |

*See note 22 for details regarding the restatement.

### 15 Other financial assets and (liabilities)

| | Group 2019 £000 | Company 2019 £000 | Group 2018 £000 | Company 2018 £000 |
|---|---|---|---|---|
| Interest rate swap | (10,122) | (10,122) | 854 | 854 |
| | **(10,122)** | **(10,122)** | **854** | **854** |

*Interest Rate Swaps*

During December 2017 Ventient Energy entered into agreements with its lending consortium of banks to hedge the loan funding provided by the consortium for the period of the loan: December 2017 to Dec 2027.

The loan interest is hedged at 92% of the notional outstanding loan principal at each six-month period for the tenure of the loan. The nominal amount of the interest rate swaps changes every 6 months to reflect the profile of the outstanding loan principal. It decreases from £487,473,341 as at 1 January 2020 to the final balance of £161,820,880 as at 1 July 2027 prior to the end of the swap agreement in December 2027. The hedge is considered to be effective on the basis that the key terms of the interest rate swaps are consistent with those of the loan. The interest rate swaps are expected to be effective for their duration

## Notes to the Financial Statements

### 16 Provisions

| **Group** | **Restated* Decommissioning provision £000** | **Restated* Total £000** |
|---|---|---|
| **At 1 January 2018** | 47,923 | 47,923 |
| Additions | 6,032 | 6,032 |
| Unwinding of discounted amount | 674 | 674 |
| **Balance at 31 December 2018** | **54,629** | **54,629** |
| Non-current | 54,629 | 54,629 |
| Current | - | - |
| **At 1 January 2019** | 54,629 | 54,629 |
| Additions | 3,273 | 3,273 |
| Unwinding of discounted amount | 483 | 483 |
| **Balance at 31 December 2019** | **58,385** | **58,385** |
| Non-current | 58,385 | 58,385 |
| Current | - | - |

*See note 22 for details regarding the restatement.

*Decommissioning provision*

The provision for the decommissioning of the wind farm represents the net present value of the Group's best estimate of the costs to decommission the wind farm at the end of its useful life. The provisions were re-estimated at the end of the year to reflect current management expectations of the future liability.

The closing provision has been discounted to its present value for each wind farm separately, based on the yield on a UK gilt maturing at the end of each wind farm's economic life (between 2019 and 2042).

Decommissioning assets are recognised to match the decommissioning liability, refer to Note 7. Unwinding of discount amount is recognised only in the decommissioning liability.

Decommissioning costs were last assessed by an independent expert in February 2017.

## Notes to the Financial Statements

### 17 Capital and reserves

**Share capital**

| In thousands of shares | Ordinary shares 2019 | Ordinary shares 2018 |
|---|---|---|
| Issued for cash | 42,495 | 42,495 |
| On issue at 31 December – fully paid | **42,495** | **42,495** |

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| Ordinary shares of £1.00 each | 42,495 | 42,495 |
| | **42,495** | **42,495** |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

**Capital contribution reserve**

The capital contribution reserve arose on the Business Combination Under Common Control of the Zephyr portfolio transaction.

**Accumulated losses**

This reserve account records accumulated losses

| | Note | 2019 £000 | 2018 Restated* £000 |
|---|---|---|---|
| Balance 1 January | | 33,294 | 24,389 |
| Net loss for the year | | 13,628 | 8,905 |
| Adoption of IFRS 16 Leases | 23 | 9,266 | - |
| **At 31 December 2019** | | 56,188 | 33,294 |

*See note 22 for details regarding the restatement.

## Notes to the Financial Statements

**18 Financial instruments**

**Capital management**

The Group's policies seek to match long-term assets with long-term finance and to ensure that there is sufficient working capital to meet the Group's commitments as they fall due, comply with the loan covenants and continue to sustain trading. Management will continue to monitor actual cash flows against approved cash flow forecasts.

Financial instruments comprise trade and other receivables, amounts receivable from related parties, cash and cash equivalents, loans and borrowings, trade and other payables and provisions. Financial instruments give rise to credit, liquidity and interest rate risks. Information about these risks and how they are managed is set out below.

**Financial instruments – measurement**

Financial instruments are classified into the following levels based upon the degree to which fair value is obtainable:

Level 1 – those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – those fair values derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is based on broker quotes and classified as Level 2. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

In the opinion of the Directors, the carrying value of all material financial instruments is deemed to be a reasonable approximate of the fair value.

## Notes to the Financial Statements

18 **Financial instruments** (continued)

The following table presents the carrying values and the fair values of financial instruments carried at amortised cost on the balance sheet, except interest rate swaps valued at fair value.

**Group**

| | Carrying Value 2019 £000 | Fair Value 2019 £000 | Carrying Value 2018 £000 | Fair Value 2018 £000 |
|---|---|---|---|---|
| **Financial assets carried at amortised cost** | | | | |
| Cash and cash equivalents | 16,383 | 16,383 | 17,538 | 17,538 |
| Trade receivables | 6,989 | 6,989 | 17,927 | 17,927 |
| **Financial assets carried at fair value** | | | | |
| Interest rate swaps | - | - | 854 | 854 |
| **Total financial assets** | **23,372** | **23,372** | **36,319** | **36,319** |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 3,362 | 3,362 | 281 | 281 |
| Accrued expenses | 11,550 | 11,550 | 13,914 | 13,914 |
| Interest payable | 72 | 72 | 68 | 68 |
| Leases | 46,154 | 46,154 | - | - |
| Interest bearing loans | 517,536 | 605,026 | 555,520 | 663,425 |
| Amounts payable to related parties | 187,418 | 470,593 | 217,900 | 464,184 |
| **Fair value liabilities held at fair value** | | | | |
| Interest rate swaps | 10,122 | 10,122 | - | - |
| **Total financial liabilities** | **776,214** | **1,146,879** | **787,683** | **1,141,872** |

Due to the nature of cash and cash equivalents and the short-term nature of trade receivables, their carrying amount is considered to be the same as their value.

The carrying amounts of trade and other payable, accrued expenses and interest payable are considered to be the same as their fair values, due to their short-term nature. See note 8 for information on lease liabilities.

## Notes to the Financial Statements

**18 Financial instruments** (continued)

Interest bearing loans and amounts payable to related party fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counter-party credit risk.

**Financial risk management**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

**Market risk – interest rate risk**

The Group adopts a policy of ensuring that at least 80% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. The Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the year-end would not affect the statement of comprehensive income.

**Credit risk**

Policies are in place to ensure that the sale of generated electricity is made to customers with appropriate credit ratings. These ratings are monitored to determine if there has been a significant increase in credit risk since initial recognition, due to either or both, a change in the credit rating of the counterparty or instances of default, where the counterparty fails to make payments within 60 days of when they fall due.

**Credit quality of financial assets and impairment losses**

The ageing of trade receivables at the balance sheet date was:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| | Gross | Provisions | Gross | Provisions |
| Not past due | 5,539 | - | 6,805 | - |
| Past due 1 – 3 months | 89 | - | 10,742 | - |
| 3-6 months | 332 | - | - | - |
| Past 6 months | 1,049 | 20 | 400 | 20 |
| | **7,009** | **20** | **17,947** | **20** |

## Notes to the Financial Statements

**18 Financial instruments** (continued)

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Short-term liquidity is reviewed daily by the Treasury function, while the longer-term liquidity position is reviewed on a regular basis by the Board. The Group's Treasury function is also responsible for managing the banking requirements of the Group, risk management relating to interest rate risk, and managing the credit risk relating to the banking counterparties with which it transacts, including ensuring compliance with any banking covenants. The Group can have significant movements in its liquidity position due to movements in electricity prices and working capital requirements.

The Group's policy is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. The Group finances activities with cash from operating activities. The disclosures in note 1.1 provide background to the Group's capital structure and the Group's liquidity risk.

The following are the contractual maturities of financial liabilities (all sterling denominated), including estimated interest payments and excluding the effect of netting agreements:

| At 31 December 2019 | Nominal interest rate | Year of maturity | Carrying value £000 | Cash flows £000 | In less than one year £000 | Between two and five years £000 | In more than five years £000 |
|---|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | | |
| Trade payables | | 2020 | 3,362 | 3,362 | 3,362 | - | - |
| Accrued expenses | | 2020 | 11,550 | 11,550 | 11,550 | - | - |
| Interest payable | | 2020 | 72 | 72 | 72 | - | - |
| Interest bearing borrowings | 1.6+LIBOR | 2027 | 517,536 | 618,297 | 55,727 | 238,660 | 323,910 |
| Amounts owed to related party | 8.5% | 2037 | 187,418 | 474,166 | 15,930 | 63,722 | 394,514 |
| Leases | | | 46,154 | 65,372 | 3,949 | 16,255 | 45,168 |
| Total | | | **766,092** | **1,172,819** | **90,590** | **318,637** | **763,592** |

## Notes to the Financial Statements

**18 Financial instruments** (continued)

| **At 31 December 2019** | **Year of maturity** | **Cash flows £000** | **In less than one year £000** | **Between two and five years £000** | **In more than five years £000** |
|---|---|---|---|---|---|
| *Derivative financial liabilities* | | | | | |
| Cash flow hedge | 2027 | 11,122 | 2,008 | 6,357 | 2,757 |
| Total | | **11,122** | **2,008** | **6,357** | **2,757** |

| **At 31 December 2018** | **Nominal interest rate** | **Year of maturity** | **Carrying value £000** | **Cash flows £000** | **In less than one year £000** | **Between two and five years £000** | **In more than five years £000** |
|---|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | | |
| Trade payables | | 2019 | 281 | 21,846 | 21,846 | - | - |
| Accrued expenses | | 2019 | 13,914 | 13,914 | 13,914 | - | - |
| Interest payable | | 2019 | 68 | 68 | 68 | - | - |
| Interest bearing borrowings | 1.6+LIBOR | 2027 | 555,520 | 672,192 | 54,609 | 231,343 | 386,240 |
| Amounts owed to related party | 8.5% | 2037 | 217,900 | 568,353 | 18,474 | 73,897 | 475,982 |
| Total | | | **787,683** | **1,276,373** | **108,911** | **305,240** | **862,222** |

## Notes to the Financial Statements

**18 Financial instruments** (continued)

| **At 31 December 2018** | **Year of maturity** | **Cash flows £000** | **In less than one year £000** | **Between two and five years £000** | **In more than five years £000** |
|---|---|---|---|---|---|
| *Derivative financial liabilities* | | | | | |
| Cash flow hedge | 2027 | 13,287 | 2,165 | 7,050 | 4,072 |
| Total | | **13,287** | **2,165** | **7,050** | **4,072** |

**19 Related party transactions**

Related party transactions occurring during the period and balances outstanding at the year-end are as follows:

**Outstanding receivable / (payable)**

| | **Group 2019 £000** | **Company 2019 £000** | **Group 2018 £000** | **Company 2018 £000** |
|---|---|---|---|---|
| **Receivables** | | | | |
| Mobius Renewables Midco (Jersey) Limited | 420 | 420 | 420 | 420 |
| Ventient Energy FINCO Sarl | 360 | - | - | - |
| | **780** | **420** | **420** | **420** |

| | **Group 2019 £000** | **Company 2019 £000** | **Group 2018 £000** | **Company 2018 £000** |
|---|---|---|---|---|
| **Payables** | | | | |
| 8.5% 2037 Loan notes - Mobius Debtco (Jersey) Limited | (187,418) | (187,418) | (217,900) | (217,900) |
| | **(187,418)** | **(187,418)** | **(217,900)** | **(217,900)** |

During the year payments were paid relating to loan notes totalling £48,012,000, £29,925,933 capital repayment and £18,086,067 loan interest (2018: £54,296,000 capital repayment £33,997,000 and £20,299,000 loan interest). Loan notes are payable to Mobius Debtco (Jersey) Limited, a company within the wider European Group

During the year management fees were issued totalling £360,000 (2018: £nil) to Ventient Energy FINCO Sarl, a company within the wider European group.

A receivable balance of £420,000 remains outstanding from Mobius Renewables Midco (Jersey) Limited, a company within the wider European group.

## Notes to the Financial Statements

**20 Capital commitments and guarantees**

The group had unexpired Letters of Credit totaling £13 million at 31 December 2019 (2018: £15 million).

**21 Ultimate parent company and controlling party**

The immediate parent company is Ventient Energy UK Holdco Limited incorporated on the 25th November 2019. Prior to this the immediate parent company had been Mobius Renewables Holdco Limited which is now to be entered into liquidation.

Ventient Energy Sarl, a Luxembourg registered entity produces accounts into which Ventient Energy UK accounts are consolidated. Ventient Energy Sarl has a registered address of 11 Boulevard De la Foire, L-1528 Luxembourg.

The ultimate parent company is IIF International Holding LP, an entity 100% owned by institutional investors and so there is no ultimate controlling party. IIF Holding LP is a Cayman Islands exempted limited partnership advised by JP Morgan Investment Management ("JPMIM"). JPMIM is a registered investment advisor regulated by the US Securities and Exchange Commission and is a wholly owned subsidiary of JPM Morgan Chase & Co.

**22 Prior period adjustments**

A number of adjustments have been proposed to the prior year reported financial statements. Details of each are set out below, alongside their impact.

**Group**

1. In prior periods, the group accounted for ROC Recycle income in all operating wind farm subsidiary companies on a cash receipt basis rather than in the period in which the income was earned as required per IFRS 15 *Revenue Recognition*. The ROC unit price is based on data provided by an industry standard recognised third party. Accounting for this income in the period it was earned has resulted in restatement of revenue recognised in the year to 31 December 2018, increasing revenue recognised by £5,744,000.
2. For the year ended 31 December 2018, the group recognised elements of income in the incorrect accounting period. Accounting for this income in the period it was earned has resulted in restatement of revenue recognised in the year to 31 December 2018, increasing revenue recognised by £667,000.
3. For the year ended 31 December 2018, the group made an error in calculation of the amortisation of wind usage rights. Correcting the miscalculation resulted in restatement of the amortisation charge recognised in the year to 31 December 2018, reducing the amortisation recognised by £3,923,000.
4. For the year ended 31 December 2018, the group made an error in calculation of the depreciation of the decommissioning asset. Correcting the miscalculation resulted in restatement of the depreciation recognised in the year to 31 December 2018, reducing the depreciation charge recognised by £2,621,000.
5. For the year ended 31 December 2018, the group had made an error in calculation of the decommissioning liability and the associated asset. Correcting the miscalculation resulted in restatement (reduction) of the closing 31 December 2018 position for the decommissioning liability and associated asset, of £3,394,000 and £3,353,000 respectively, with an impact upon 31 December 2018 retained earnings of £41,000. The reduction to depreciation required on the revised decommissioning asset balance has been included within adjustment 4 above.

## Notes to the Financial Statements

### 22 Prior period adjustments (continued)

6. In prior periods, the group had recognised a related party receivable within other debtors in respect of costs incurred from a historic refinancing exercise. There was no basis for recognising this asset. Correcting this to write-off these costs has resulted in restatement (reduction) of the 1 January 2018 opening position for other debtors and retained earnings of £3,974,000.

**Company**

7. In prior periods, the company had recognised a related party receivable position for which there was no agreement to receive recompense. Correcting this to write-off this asset has resulted in restatement (reduction) of the 1 January 2018 opening position for other debtors and retained earnings of £22,035,000.
8. In prior periods, the company had recognised a related party receivable within other debtors in respect of costs incurred from a historic refinancing exercise. There was no basis for recognising this asset. Correcting this to write-off these costs has resulted in restatement (reduction) of the 1 January 2018 opening position for other debtors and retained earnings of £3,974,000.

| | 31 December 2017 as originally stated £000 | (Decrease) £000 | 1 January 2018 Restated £000 |
|---|---|---|---|
| **Consolidated balance sheet (extract)** | | | |
| Trade and other receivables (adjustment 5) | 62,271 | (3,974) | 58,297 |
| Net assets | **195,070** | **(3,974)** | **191,096** |
| Accumulated losses | (20,415) | (3,974) | (24,389) |
| **Total equity** | **195,070** | **(3,974)** | **191,096** |

## Notes to the Financial Statements

22 **Prior period adjustments** (continued)

| | 31 December 2018 As originally stated £000 | (Decrease)/ Increase £000 | 31 December 2018 Restated £000 |
|---|---|---|---|
| **Consolidated balance sheet (extract)** | | | |
| Property, plant and equipment (adjustments 4 and 5) | 453,843 | (731) | 453,112 |
| Intangible assets (adjustment 3) | 607,065 | 3,923 | 610,988 |
| Trade and other receivables (adjustments 1, 2 and 8) | 54,440 | 2,452 | 56,892 |
| Trade and other payables | (21,846) | (15) | (21,861) |
| Provisions (adjustment 5) | (58,023) | 3,394 | (54,629) |
| Net assets | 178,412 | 9,023 | 187,435 |
| **Accumulated losses** | (42,317) | 9,023 | (33,294) |
| Total equity | 178,412 | 9,023 | 187,435 |

| | 31 December 2018 As originally stated £000 | Increase £000 | 31 December 2018 Restated £000 |
|---|---|---|---|
| **Consolidated statement of comprehensive income (extract)** | | | |
| Revenue (adjustments 1 and 2) | 149,599 | 6,411 | 156,010 |
| Cost of sales (adjustment 4) | (70,555) | 2,621 | (67,934) |
| **Gross profit** | 79,044 | 9,032 | 88,076 |
| Administrative expenses (adjustment 3) | (68,906) | 3,924 | (64,982) |
| **Operating profit** | 10,138 | 12,956 | 23,094 |
| Financial expenses (adjustment 5) | (40,118) | 41 | (40,077) |
| **Net financing expense** | (40,033) | 41 | (39,992) |
| **Loss before tax** | (29,895) | 12,997 | (16,898) |
| **Loss for the year after tax** | (21,902) | 12,997 | (8,905) |

## Notes to the Financial Statements

### 22 Prior period adjustments (continued)

| | 31 December 2017 As originally stated £000 | (Decrease) £000 | 1 January 2018 Restated £000 |
|---|---|---|---|
| **Company balance sheet (extract)** | | | |
| Other receivables (adjustment 7 and 8) | 733,476 | (26,009) | 707,467 |
| Net assets | 225,791 | (26,009) | 199,782 |
| Retained earnings | 10,306 | (26,009) | (15,703) |
| **Total equity** | 225,791 | (26,009) | 199,782 |

### 23 Effect of adoption of IFRS 16 – Leases

As indicated in notes 1.20 and 8, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 8.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.64%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use of the asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments of £9,265,000 for residual value guarantees based on an index or rate. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

## Notes to the Financial Statements

**23 Effect of adoption of IFRS 16 – Leases** (continued)

### i. Practical expedients applied

In applying IFRS 16 for the first time, the company used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonable similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial indirect costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied in its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

### ii. Measurement of lease liabilities

| | £000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 10,348 |
| Correction of prior year error: | |
| Leases omitted from the prior year operating lease disclosure note | 49,456 |
| Adjusted commitment amount | 59,804 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 40,565 |
| Lease liability recognised as at 1 January 2019 | 40,565 |
| Of which are: | |
| Current lease liabilities | 1,274 |
| Non-current liabilities | 39,291 |
| | 40,565 |

## Notes to the Financial Statements

**23 Effect of adoption of IFRS 16 – Leases** (continued)

### iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

### iv. Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £31,300,000.
- Deferred tax liabilities – decrease by £1,623,000.
- Lease liabilities – increase by £40,565,000.

The net impact on retained earnings on 1 January 2019 was a decrease of £9,266,000.

### v. Lessor accounting

The group does not hold assets held as lessor

**24 Post balance sheet events**

Coronavirus (COVID19): The World Health Organisation has declared this outbreak as a controllable pandemic. As of the 13 March 2020, the UK Government raised the risk level from moderate to high. This outbreak represents a non-adjusting post balance sheet event for the Group, and is further discussed in the Strategic Report.