

**COMPANIES HOUSE
EDINBURGH**

27 SEP 2018

FRONT DESK

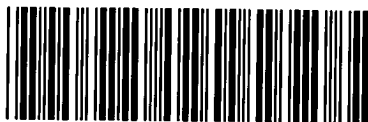
LAIRG WINDFARM LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

Company registration number SC288939 (Scotland)

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COMPANIES HOUSE

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COMPANY INFORMATION

Directors Mr Duncan Andrew Levie
Mr Barthelemy Benoit Clement Rouer

Company secretary Mr Derek Patrick Stewart Henderson

Registered number SC288939

Registered office 1 Houstoun Interchange Business Park
Livingston
West Lothian
EH54 5DW

Independent auditors KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Bankers Commerzbank AG
London Branch
30 Gresham Street
EC2P 2XY

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Principal activity

The principal activity of the company is the generation of electricity at Lairg Windfarm.

Results and dividends

The loss for the year, after taxation, amounted to £230,427 (2016 - loss £445,546).

Winds were better in 2017 than the prior year, which reflected in the increase in turnover and gross profit this year.

No dividends were paid during the year.

Directors

The directors who held office during the year were as follows:

Dr Jochen Ahn (resigned 13 March 2017)
Mr Matthias Bockholt (resigned 13 March 2017)
Mr Andreas Hollinger (resigned 13 March 2017)
Mr Duncan Andrew Levie (appointed 13 March 2017)
Mr Barthelemy Benoit Clement Rouer (appointed 13 March 2017)

Future developments

The directors are of the opinion that the company will continue in the generation of electricity and that no business developments will be undertaken in the future.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

There have been significant events affecting the company since the year end. See note 22.

Auditors

KPMG were appointed as auditors during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

The directors have taken advantage of the exemption within Section 414B of the Companies Act 2006 and will not be preparing a Strategic Report for the year ended 31 December 2017.

This report was approved by the board and signed on its behalf.



Mr Duncan Andrew Levie
Director

25 September 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF LAIRG WINDFARM LIMITED

Opinion

We have audited the financial statements of Lairg Windfarm Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF LAIRG WINDFARM LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

26 September 2018.

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 December 2017

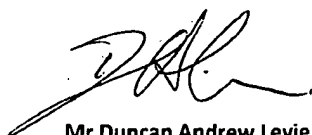
	Note	2017 £	2016 £
Turnover	4	1,515,422	1,281,380
Cost of sales		<u>(315,313)</u>	<u>(357,588)</u>
Gross Profit		1,200,109	923,792
Administrative expenses		<u>(692,989)</u>	<u>(619,777)</u>
Other operating income	5	<u>6,202</u>	<u>6,557</u>
Operating Profit	6	513,322	310,572
Interest receivable and similar income	8	-	1,177
Interest payable and expenses	9	<u>(743,749)</u>	<u>(757,295)</u>
Loss before tax		(230,427)	(445,546)
Tax	10	-	-
Loss after tax		<u>(230,427)</u>	<u>(445,546)</u>
 Retained earnings at beginning of the year		 <u>(1,481,557)</u>	 <u>(1,036,011)</u>
		<u>(1,481,557)</u>	<u>(1,036,011)</u>
Loss for the year		<u>(230,427)</u>	<u>(445,546)</u>
Retained earnings at end of the year		<u>(1,711,984)</u>	<u>(1,481,557)</u>

The accompanying notes on pages 10 to 22 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	<u>10,107,752</u>	<u>10,639,739</u>
		10,107,752	10,639,739
Current assets			
Debtors: amounts falling due within one year	12	470,444	475,747
Cash at bank and in hand	13	<u>697,461</u>	<u>406,797</u>
		1,167,905	882,544
Creditors: amounts falling due within one year	14	<u>(7,835,985)</u>	<u>(1,627,342)</u>
Net current liabilities		<u>(6,668,080)</u>	<u>(744,798)</u>
Total assets less current liabilities		3,439,672	9,894,941
Creditors: amounts falling due after more than one year	15	(3,730,129)	(10,170,216)
Provisions for liabilities			
Other provisions	17	<u>(201,000)</u>	<u>(201,000)</u>
		(201,000)	(201,000)
Net (liabilities)/assets		<u>(491,457)</u>	<u>(476,275)</u>
Capital and reserves			
Called up share capital	18	100	100
Other reserve	19	2,163,886	2,163,886
Cash flow hedge reserve	19	(943,459)	(1,158,704)
Profit and loss account	19	<u>(1,711,984)</u>	<u>(1,481,557)</u>
		(491,457)	(476,275)

These financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by:



Mr Duncan Andrew Levie
Director

25 September 2018

Company registered number: SC288939

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 December 2017

	Called up share capital	Other reserve	Cash flow hedge reserves	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 01 January 2016	100	2,163,886	(995,267)	(1,036,011)	132,708
Comprehensive income for the year					
Loss for the year	-	-	-	(445,546)	(445,546)
Cash flow hedge - fair value movement	-	-	(392,148)	-	(392,148)
Cash flow hedge - recycled to profit	-	-	228,711	-	228,711
Total comprehensive income for the year	-	-	(163,437)	(445,546)	(608,983)
Balance at 31 December 2016	100	2,163,886	(1,158,704)	(1,481,557)	(476,275)
Loss for the year	-	-	-	(230,427)	(230,427)
Cash flow hedge - fair value movement	-	-	(22,917)	-	(22,917)
Cash flow hedge - recycled to profit	-	-	238,162	-	238,162
Total comprehensive income for the year	-	-	215,245	(230,427)	(15,182)
Balance at 31 December 2017	100	2,163,886	(943,459)	(1,711,984)	(491,457)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 December 2017

	2017	2016
	£	£
Cash flows from operating activities		
Loss for the year	(230,427)	(445,546)
Adjustments for:		
Depreciation of tangible assets	531,987	531,987
Interest payable	743,749	757,295
Interest receivable	-	(1,177)
Decrease in debtors	5,303	74,687
(Increase) in amounts owed by groups	-	(54,231)
Increase in creditors	42,110	195,467
(Decrease) in amounts owed to groups	-	(39,847)
Net cash generated from operating activities	1,092,722	1,018,635
 Cash flows from investing activities		
Interest received	-	1,177
Net cash from investing activities	-	1,177
 Cash flows from financing activities		
Repayment of loans	(358,309)	(365,450)
Interest paid	(443,749)	(757,295)
Net cash used in financing activities	(802,058)	(1,122,745)
 Net increase/(decrease) in cash and cash equivalents	290,664	(102,933)
Cash and cash equivalents at beginning of year	406,797	509,730
Cash and cash equivalents at end of year	697,461	406,797
 Cash and cash equivalents at end of year comprise:		
Cash at bank and in hand	697,461	406,797
	697,461	406,797

The accompanying notes on pages 10 to 22 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2017

1. General information

The financial statements are presented in Pounds Sterling (GBP) and are rounded to the nearest whole pound. The financial statements cover the results for the year ended 31 December 2017. The activities of the company continue to be the generation of electricity.

The company is limited by shares and was incorporated in Scotland. The registered office is:

1 Houstoun Interchange Business Park
Livingston
West Lothian
EH54 5DW

The company's registered number is SC288939

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

With the continued support of the parent company (Lloyd Fonds Energie Europa Beteiligungs GmbH & Co KG) the directors are confident that the company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The parent company considers its investment in the company to be strategically important to the overall objectives of the group. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

2.3 Revenue

Revenue represents value of the goods and services supplied by the company during the year, excluding value added tax. Revenue is recognised as goods and services are delivered to customers.

NOTES TO THE FINANCIAL STATEMENTS continued

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery - 4% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.5 Cash and cash equivalents

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

2.6 Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

The company uses derivative financial instruments to manage exposures to interest rate risks. Interest rate swaps have been taken alongside the senior debt loan to provide a fixed interest rate over the life of the debt. These are measured at fair value and recognised in the balance sheet as a liability.

2.7 Hedge accounting

The company uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its loans. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the Income Statement for the year.

NOTES TO THE FINANCIAL STATEMENTS continued

2.8 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

2.9 Operating leases: the company as lessee

Rentals under operating leases are charged to the Income Statement as they fall due.

2.10 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS continued

2.12 Taxation

Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The accounting policies and key sources of estimation have been applied consistently with prior years.

4. Turnover

An analysis of turnover by class of business is as follows:

	2017	2016
	£	£
Turnover	1,515,422	1,281,380
	<u>1,515,422</u>	<u>1,281,380</u>

Analysis of turnover by country of destination:

	2017	2016
	£	£
United Kingdom	1,515,422	1,281,380
	<u>1,515,422</u>	<u>1,281,380</u>

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS continued

5. Other operating income

	2017	2016
	£	£
Insurance claims	6,202	6,557
	<u>6,202</u>	<u>6,557</u>

6. Expenses and auditor's remuneration

The operating profit is stated after charging:

	2017	2016
	£	£
Lease payments expensed in the year	57,855	57,153
Depreciation of tangible fixed assets	531,987	531,987
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	13,000	19,500
Exchange differences	<u>3,326</u>	<u>(758)</u>

7. Employees

There were no employees during the year (2016 - nil).

8. Interest receivable

	2017	2016
	£	£
Other interest receivable	-	1,177
	<u>-</u>	<u>1,177</u>

NOTES TO THE FINANCIAL STATEMENTS continued

9. Interest payable and similar charges

	2017	2016
	£	£
Bank interest payable	205,587	228,584
Finance costs - recycled cash flow hedge	238,162	228,711
Loans from group undertakings (note 21)	300,000	300,000
	<u>743,749</u>	<u>757,295</u>

"Loans from group undertakings" relates to interest on a loan provided by the parent undertaking, Lloyd Fonds Energie Europa Beteiligungs GmbH and Co KG. This has been accrued as the parent has agreed not to seek repayment until the company is able to do so without impacting its ability to continue as a going concern.

10. Taxation

	2017	2016
	£	£
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017	2016
	£	£
Loss on ordinary activities before tax	<u>(230,427)</u>	<u>(445,546)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2017 - 20.00%)	(44,357)	(89,109)
Effects of:		
Expenses not deductible for tax purposes	160,230	186,856
Capital allowances for year in excess of depreciation	(132,487)	(167,865)
Capitalised expenditure allowable for tax purposes	(9,319)	(9,931)
Deferred tax asset not recognised	25,933	80,049
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

At 31 December 2017 the company had accumulated tax losses of £5,036,676 (2016 - £4,956,185) available to carry forward against future trading profits.

NOTES TO THE FINANCIAL STATEMENTS continued

11. Tangible fixed assets

	Plant and machinery
Cost or valuation	
At 01 January 2017	<u>13,299,673</u>
At 31 December 2017	<u>13,299,673</u>
Depreciation	
At 01 January 2017	2,659,934
Charge for the period on owned assets	<u>531,987</u>
At 31 December 2017	<u>3,191,921</u>
Net book value	
At 31 December 2017	<u>10,107,752</u>
At 31 December 2016	<u>10,639,739</u>

12. Debtors

	2017	2016
	£	£
Trade debtors	67,435	-
Other debtors	350,900	440,236
Prepayments and accrued income	<u>52,109</u>	<u>35,511</u>
	<u>470,444</u>	<u>475,747</u>

13. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	<u>697,461</u>	<u>406,797</u>
	<u>697,461</u>	<u>406,797</u>

NOTES TO THE FINANCIAL STATEMENTS continued

14. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Bank loans	6,340,455	453,477
Trade creditors	54,555	4,965
Other taxation and social security	125,998	99,773
Other creditors	-	30,613
Accruals and deferred income	1,101,647	804,739
Current derivative financial liabilities	213,330	233,775
	<u>7,835,985</u>	<u>1,627,342</u>

Secured loans

All bank borrowings are secured by a standard security over the land lease relating to the wind farm site, an assignation in security over the company's rights and benefits arising from contracts and a bond and floating charge over all property and assets, present and future, including uncalled capital.

15. Creditors: Amounts falling due after more than one year

	2017	2016
	£	£
Bank loans	-	6,245,287
Amounts owed to group undertakings	3,000,000	3,000,000
Non-current derivative financial liabilities	730,129	924,929
	<u>3,730,129</u>	<u>10,170,216</u>

NOTES TO THE FINANCIAL STATEMENTS continued

16. Loans

Analysis of the maturity of loans is given below:

	2017	2016
	£	£
Amounts falling due within one year		
Bank loans	638,025	453,477
	<u>638,025</u>	<u>453,477</u>
Amounts falling due 1-5 years		
Bank loans	2,491,616	2,270,143
	<u>2,491,616</u>	<u>2,270,143</u>
Amounts falling due after more than 5 years		
Bank loans	3,210,814	3,975,144
	<u>3,210,814</u>	<u>3,975,144</u>
	<u>6,340,455</u>	<u>6,698,764</u>

Loans due greater than five years are repayable in semi annual instalments with an estimated repayment date of 30 December 2026. Interest is charged at 2.4% over LIBOR per annum.

There are interest rate swaps in place to give a fixed rate of interest of 6.55% on the bank loans. These derivatives are measured at fair value and are presented in a separate cash flow hedge reserve. As at 31 December 2017 the cash flow hedge reserve amounted to £943,459 (2016: £1,158,704). A fair value movement of £22,917 (2016: £392,148) has been recognised in the Statement of Comprehensive Income.

Gains and losses, recognised in the cash flow hedge reserve, on interest rate swap contracts are released to the Statement of Comprehensive Income as the related bank borrowings are repaid.

17. Provisions

	£
At 01 January 2017	201,000
At 31 December 2017	<u>201,000</u>

The Company has provided a guarantee bond to the Highland Council and Mr JA Greenwood as detailed below. Commerzbank AG acts as Guarantor for the bond.

A bond is required should the Company fail to perform the decommissioning, reinstatement, restoration and aftercare of the wind farm development and the land upon which the wind farm is constructed in accordance with planning permission.

It is not practicable to disclose an indication of uncertainties on amount and timing or the possibility of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Share capital

	2017	2016
	£	£
Shares classified as equity		
Authorised, allotted, called up and fully paid		
100 Ordinary Shares shares of £1 each	<u>100</u>	<u>100</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

19. Reserves

Other reserves account

£2,163,886 represents capital contributed by the parent company.

Cash flow hedge reserves

The movements in the fair value of the cash flow hedge are included in the Cash Flow Hedge reserve.

20. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£	£
Not later than 1 year	22,500	22,500
Later than 1 year and not later than 5 years	90,000	90,000
Later than 5 years	<u>652,500</u>	<u>675,000</u>

Lease payments are based on 4% of total gross income with this rate increasing to 8% in 2024.

21. Related party transactions

The amount of £3,000,000 (2017: £3,000,000) which is owed to the parent undertaking, Lloyd Fonds Energie Europa Beteiligungs GmbH and Co KG incurs interest at 10% annually. Interest on the loan amounted to £300,000 (2016: £300,000). At the year end £1,011,998 (2016: £711,998) of loan interest was accrued. It has been agreed that the company will make repayments when possible, so as not to adversely affect the company's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS continued

22. Post balance sheet events

On 29 June 2018 the company's banker agreed terms, subject only to satisfactory documentation and satisfaction of conditions precedent, to a restructuring of the existing loan facilities.

Following the restructuring, the new facilities will consist of:

- a fixed rate amortising term loan of £6,340,455 terminating on 30 June 2030
- a floating rate amortising term loan of a maximum of £1,000,000 terminating on 30 December 2027
- a letter of credit facility of £201,000

23. Controlling party

The immediate and ultimate parent undertaking, and controlling party is Lloyd Fonds Energie Europa Beteiligungs GmbH and Co KG, a limited partnership incorporated in Germany.