

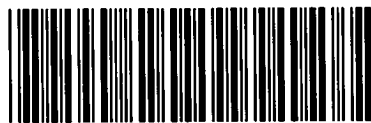
**WEST BROWNCastle WIND ENERGY LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

**Company number  
SC450708**

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**WEST BROWNCASTLE WIND ENERGY LIMITED**  
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**Year ended 31 December 2015**

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## **WEST BROWNCastle WIND ENERGY LIMITED**

### **DIRECTORS' REPORT**

**Year ended 31 December 2015**

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Registered No. SC450708

The Directors present their annual report for the year ended 31 December 2015.

The report of the directors has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

#### **Directors of the Company**

|              |                                                      |
|--------------|------------------------------------------------------|
| R T Reed     | (appointed 29 June 2015)                             |
| G Toffolatti | (appointed 29 June 2015)                             |
| S Chiericoni | (resigned 29 June 2015, appointed 25 September 2015) |
| D V Sala     | (appointed 29 June 2015, resigned 24 September 2015) |
| C Gaydon     | (resigned 29 June 2015)                              |
| R Micoli     | (resigned 29 June 2015)                              |

The company secretary who held office during the year and subsequent to the year end was Erin Hunter.

#### **Business Review and Future Developments**

The Company is incorporated in the UK as a limited company and its registered office and principal place of business is located at Beaul House, Dochfour Business Centre, Dochgarroch, Inverness, IV3 8GY.

The principal activity of the Company is the generation of renewable energy through the operation of the 30MW wind farm, located at Strathaven, Scotland. The wind farm was fully constructed and began operating and generating electricity in August 2014 and despite recent losses, the directors expect the Company to operate the wind farm profitably in the future.

#### **Small companies exemption**

The report of the directors has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006. In addition, the directors have taken advantage of the small companies' exemption of section 414B of the Companies Act 2006 not to provide a strategic report.

#### **Results and Dividends**

The results of the Company are set out on page 8 and show a loss on ordinary activities before taxation of £463,000 (2014: loss of £2,043,000) and loss after taxation of £100,000 (2014: loss of £1,539,000).

The Company do not recommend the payment of a dividend (2014: £nil).

At year end the Company had total assets of £52,614,000 (2014: £53,014,000) and total liabilities of £54,261,000 (2014: £54,561,000).

#### **Principal risks and uncertainties**

The Company's business is subject to a number of risks. The key business risks are considered to be the following:

##### *Liquidity risk*

The Company is financed by loans from its parent company. The risk of the parent company discontinuing the provision of financing is regarded as low.

##### *Credit risks*

The Company sells electricity under the terms of a power purchase agreement. The contract is dependent on the buyer being able to honour its responsibilities. This risk is regarded as low as the buyer is a well-established major electricity supply company with good credit ratings.

##### *Weather*

The Company obtains reports of wind availability from world class experts in this field and uses these reports for its business forecasts using a 50% probability factor, corrected for actual wind data for those plants which have been operating for at least five years. These reports are based on historical wind data and projected future forecasted energy production, taking into consideration technical characteristics of selected wind turbines. The wind risk is further mitigated by the banks generally considering even more prudent probability factors to determine their lending strategy to the projects.

## **WEST BROWNCASTLE WIND ENERGY LIMITED**

### **DIRECTORS' REPORT (continued)**

**Year ended 31 December 2015**

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#### **Future developments**

The future objective of the business is to maximise the returns generated from the assets.

#### **Key performance indicators ("KPIs")**

The principal KPI for the Company is turnover comprising turbine availability, wind resource and electricity price. Additional KPIs are disclosed in the financial statements of the Company's intermediate parent undertaking, Falck Renewables SpA which are publicly available on the web site [www.falckrenewables.com](http://www.falckrenewables.com).

#### **Donations**

The Company made a donation of £76,000 (2014: £56,000) to a local community foundation for the benefit of the local residents. The contributions are used for local community projects at the discretion of the foundation.

#### **Directors' liabilities**

The holding company of the Falck Renewables Wind Limited Group, Falck Renewables SpA, maintains directors' and officers' liability insurance with a third party which gives appropriate cover for any legal action brought against the Company's directors.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to liquidity, credit and weather risk are described in the Directors' Report on page 3.

Although the Company shows a net current liability position at the balance sheet date, the Company's liabilities is comprised of amounts owing to its parent Company. Having reviewed cash flow forecasts for the next 12 months from the date of the approval of the Financial Statements the directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. Moreover, there is a loan agreement in place from Falck Renewables Wind Limited which is expected to provide adequate backing to ensure that the Company will continue for at least one year after these financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be proposed at the annual general meeting.

#### **Directors' statement as to the disclosure of information to auditors**

The directors who were members of the board at the time of approving the Directors' Report are listed on page 3. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



R T Reed  
Director  
9 March 2016

## **WEST BROWNCastle WIND ENERGY LIMITED**

### **DIRECTORS' REPORT (continued)**

**Year ended 31 December 2015**

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#### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT  
Year ended 31 December 2015

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST BROWNCASTLE WIND ENERGY LIMITED**

We have audited the financial statements of West Browncastle Wind Energy Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards' Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT (continued)

Year ended 31 December 2015

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**Matters on which we are required to report by exception**

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

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

*Ernst & Young LLP*

Natalia Moolman (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

10 March 2016

**WEST BROWNCastle WIND ENERGY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2015**

|                                                    | <b>Note</b> | <b>2015<br/>£'000</b> | <b>2014<br/>£'000</b> |
|----------------------------------------------------|-------------|-----------------------|-----------------------|
| Turnover                                           |             | 6,380                 | 2,910                 |
| Operating expenses                                 | 3.          | (4,164)               | (2,321)               |
|                                                    |             | <u>2,216</u>          | <u>589</u>            |
| Interest receivable and similar income             | 4           | 23                    | -                     |
| Interest payable and similar cost                  | 4           | (2,702)               | (2,632)               |
|                                                    |             | <u>(463)</u>          | <u>(2,043)</u>        |
| <b>Loss on ordinary activities before taxation</b> |             | <b>(463)</b>          | <b>(2,043)</b>        |
| Income tax                                         | 5.          | 363                   | 504                   |
|                                                    |             | <u>(100)</u>          | <u>(1,539)</u>        |
| <b>Loss for the year</b>                           |             | <b>(100)</b>          | <b>(1,539)</b>        |
|                                                    |             | <u>(100)</u>          | <u>(1,539)</u>        |
| <b>Total comprehensive expense for the year</b>    |             | <b>(100)</b>          | <b>(1,539)</b>        |

All realised profits and losses arise as a result of continuing operations.

**WEST BROWNCASTLE WIND ENERGY LIMITED****BALANCE SHEET****at 31 December 2015**

|                                                                | <b>Note</b> | <b>2015<br/>£'000</b> | <b>2014<br/>£'000</b> |
|----------------------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                                            |             |                       |                       |
| Tangible fixed assets                                          | 6           | 47,041                | 49,093                |
|                                                                |             | <u>47,041</u>         | <u>49,093</u>         |
| <b>Current assets</b>                                          |             |                       |                       |
| Trade and other debtors                                        | 8           | 5,386                 | 3,897                 |
| Cash at bank and in hand                                       | 9           | 187                   | 24                    |
|                                                                |             | <u>5,573</u>          | <u>3,921</u>          |
| <b>Total assets</b>                                            |             | <u>52,614</u>         | <u>53,014</u>         |
| <b>Capital and reserves</b>                                    |             |                       |                       |
| Equity share capital                                           | 10          | -                     | -                     |
| Retained earnings                                              |             | (1,647)               | (1,547)               |
| <b>Total equity</b>                                            |             | <u>(1,647)</u>        | <u>(1,547)</u>        |
| <b>Creditors: amounts falling due after more than one year</b> |             |                       |                       |
| Deferred tax liabilities                                       | 7           | 1,707                 | 1,297                 |
| Trade and other creditors                                      | 13          | 191                   | -                     |
| Provision for liabilities and charges                          | 11          | 820                   | 820                   |
|                                                                |             | <u>2,718</u>          | <u>2,117</u>          |
| <b>Creditors: amounts falling due within one year</b>          |             |                       |                       |
| Loans                                                          | 12          | 51,173                | 49,931                |
| Trade and other creditors                                      | 13          | 370                   | 2,513                 |
|                                                                |             | <u>51,543</u>         | <u>52,444</u>         |
| <b>Total liabilities</b>                                       |             | <u>54,261</u>         | <u>54,561</u>         |
| <b>Total equity and liabilities</b>                            |             | <u>52,614</u>         | <u>53,014</u>         |

The financial statements were approved by the Board of Directors on 9 March 2016 and were signed on its behalf by:



R T Reed  
Director

**WEST BROWNCastle WIND ENERGY LIMITED****STATEMENT OF CHANGES IN EQUITY****Year ended 31 December 2015**

|                                                   | <b>Share<br/>capital<br/>£'000</b> | <b>Retained<br/>earnings<br/>£'000</b> | <b>Total<br/>equity<br/>£'000</b> |
|---------------------------------------------------|------------------------------------|----------------------------------------|-----------------------------------|
| <b>At 1st January 2014</b>                        | -                                  | (8)                                    | (8)                               |
| Loss for the year                                 | -                                  | (1,539)                                | (1,539)                           |
| <b>Total comprehensive expense for the period</b> | -                                  | (1,539)                                | (1,539)                           |
| <b>At 31 December 2014</b>                        | -                                  | (1,547)                                | (1,547)                           |
| Loss for the year                                 | -                                  | (100)                                  | (100)                             |
| <b>Total comprehensive expense for the year</b>   | -                                  | (100)                                  | (100)                             |
| <b>At 31 December 2015</b>                        | -                                  | (1,647)                                | (1,647)                           |

## **WEST BROWNCastle WIND ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2015**

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#### **1 General information**

West BrownCastle Wind Energy Limited's ("the Company") principal activity is the generation of renewable energy through the development, construction and operation of the West BrownCastle wind farm, located in Strathaven, Scotland.

The Company is a private limited company incorporated and domiciled in the UK and the address of its registered office is Beaul House, Dochfour Business Centre, Dochgarroch, Inverness, IV3 8GY.

#### **2 Accounting policies**

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

##### **(a) Basis of preparation**

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), including the July 2015 amendments.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (i) the requirements of IFRS 7 Financial Instruments: Disclosures; and
- (ii) the requirements of IFRS 13 Fair Value Measurement; and
- (iii) the requirements of IAS 7 Statement of Cash Flows; and
- (iv) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Although the Company shows a net current liability position at the balance sheet date, the Company's liabilities is comprised of amounts owing to its parent Company. Having reviewed cash flow forecasts for the next 12 months from the date of the approval of the Financial Statements the directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. Moreover, there is a loan agreement in place from Falck Renewables Wind Limited which is expected to provide adequate backing to ensure that the Company will continue for at least one year after these financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Critical accounting estimates are used in preparation of the financial statements. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2(l).

##### **(b) Trade and other debtors**

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within administrative expenses. When a trade debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the profit and loss account.

## **WEST BROWNCastle WIND ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 31 December 2015**

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## **2 Accounting policies (continued)**

### **(c) Revenue recognition**

The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefit will flow to the entity and when specific criteria have been met as described below:

#### *- Income from the sale of Electrical Energy*

The Company sells electricity under the terms of power purchase agreements ("PPAs"). Under such arrangements revenue is recognised according to contractual prices per unit of output multiplied by the actual power output delivered to the customer in the period.

A Renewable Obligation Certificate ("ROC") is a green certificate issued to accredited generators for eligible renewable electricity. The Company receives 90% of a ROC issued for each megawatt hour of eligible renewable electricity generated. Income from the sale of ROCs is recognised at the point of sale of the associated electricity at contractually agreed amounts.

Income due to the Company from the operation of the ROCs recycling scheme is estimated on the basis of market data and is accrued in the period when the associated electricity was supplied. Income from the sale of electrical energy is recognised net of VAT and other sales taxes.

Revenue from sales of electricity before the issuance of a turbine's provisional acceptance certificate is not deducted from the cost of assets under construction since the company does not incur significant commissioning cost.

### **(d) Tangible fixed assets**

Plant and equipment are principally wind farms comprising, inter alia, wind turbines and the balance of plant, including substations, and are stated at acquisition cost, net of accumulated depreciation (see below) and impairment losses. Costs include amounts payable to third party contractors for the construction of wind farms and other costs that are directly attributable to bringing assets into working condition for their intended use. The cost also includes, where relevant,

(i) the initial estimate at the time of installation of the costs of dismantling and removing the wind farm and of restoring the site on which it is located to its original condition and;

(ii) changes in the measurement of existing liabilities recognised for those costs during the period of use resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Costs related to assets under construction are capitalised where, in the opinion of the Directors, the related project is highly likely to be successfully developed and the economic benefits arising from future operations will exceed the amount of capitalised expenditure incurred to date and the cost can be measured reliably. Costs incurred prior to meeting the criteria for capitalisation are recorded as an expense within operating costs in the profit and loss account.

Loan costs which are directly attributable to assets under construction and which meet the criteria in IAS23 are capitalised as part of the cost of those assets. Capitalisation ceases when the asset is fully operational.

Depreciation is provided on all tangible fixed assets (except assets under construction which are not depreciated), at rates calculated to write off the cost, less estimated residual value, on a straight line basis over their expected useful lives at the following annual rate:

#### *- Plant and machinery 20 years*

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

If not representing an embedded derivative which needs to be separately accounted from the host contract, the Company capitalises variable pricing at their fair value on initial recognition and recognises any subsequent changes in contingent consideration as adjustment of historical cost of plant and equipment. Plant and machinery are reviewed for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets are reviewed for possible reversal at each reporting date.

## **WEST BROWNCASTLE WIND ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 31 December 2015**

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## **2 Accounting policies (continued)**

### **(e) Foreign currency translation**

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the individual transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate ruling at the balance sheet date are recognised in the profit and loss account. Non-monetary assets and liabilities that are not carried at fair value are not subsequently restated and are carried at the rate of exchange at the date they are acquired.

### **(f) Operating and Finance leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other leases are classified as operating leases. The evaluation is based on the substance of the transaction.

According to IFRIC 4 Determining whether an arrangement contains a lease, the Company may enter into an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset; and (b) the arrangement conveys a right to use the asset.

Assets held under finance leases are recognized as assets of the Company at their estimated fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The leased assets are depreciated over the shorter of the useful life of the asset or the lease term. The corresponding liability to the lessor is included in the statement of financial position as an interest bearing liability. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

### **(g) Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans in current liabilities on the balance sheet where no right of set off exists.

### **(h) Trade creditors**

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **(i) Loans and loan costs**

All loans are initially recognised at the fair value of the consideration received net of issue costs associated with the loan. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value and other loan costs is recognised in the profit and loss account over the period of the loans using the effective interest method.

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

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

## **WEST BROWNCastle WIND ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 31 December 2015**

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## **2 Accounting policies (continued)**

### **(j) Income Taxes**

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the Company's profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

### **(k) Interest receivable and payable**

Interest payable is recognised on a time-proportion basis using the effective interest rate method and expensed in the profit and loss account.

Interest receivable is recognised on a time-proportion basis using the effective interest method.

### **(l) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Property plant and equipment*

The Company estimates the useful lives and residual value of wind farm assets and other tangible fixed assets and reviews these estimates at each financial period end. The Company also tests for impairment at least once a year and when a trigger event occurs.

#### *Estimation of decommissioning provision*

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

#### *Income tax*

Some degree of estimation is required in determining the provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of this matter is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made. In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future periods.

## **WEST BROWNCastle WIND ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 31 December 2015**

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#### **2 Accounting policies (continued)**

##### *Recognition of liquidated damages*

Under the terms of construction and asset purchase agreements the Company has a legal right to liquidated damages in the event of late commissioning of wind farm assets or failure to achieve availability thresholds. Liquidated damages are recognised when receipt of payment is virtually certain.

##### *Recognition of ROCs recycling*

ROCs recycling revenue is estimated on the basis of market data and is accrued in the period when the associated electricity is supplied.

#### **(m) Provisions**

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

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

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

#### **(n) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **(o) Revenue**

The company operates one business (renewable energy generation) within one geographical market: the United Kingdom.

**WEST BROWNCastle WIND ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2015****3 Operating Expenses**

|                      | <b>2015</b>  | <b>2014</b>  |
|----------------------|--------------|--------------|
|                      | <b>£'000</b> | <b>£'000</b> |
| Rent and council tax | 696          | 248          |
| Depreciation         | 2,511        | 1,313        |
| Maintenance          | 499          | 142          |
| Other                | 458          | 618          |
|                      | <u>4,164</u> | <u>2,321</u> |

The company accrued £14,000 (2014: £14,000) to its auditors in respect of the audit of the financial statements.

No remuneration was paid to the directors for services to the Company (2014: £nil).

There are no employees in the Company and therefore no employee costs (2014: £nil).

**4 Interest and similar costs**

|                                                 | <b>2015</b>    | <b>2014</b>    |
|-------------------------------------------------|----------------|----------------|
|                                                 | <b>£'000</b>   | <b>£'000</b>   |
| <b>Interest payable</b>                         |                |                |
| Bank fees and other charges                     | (1)            | (1)            |
| On loans from related parties                   | (2,701)        | (2,631)        |
|                                                 | <u>(2,702)</u> | <u>(2,632)</u> |
| <b>Total interest payable and similar costs</b> | <b>(2,702)</b> | <b>(2,632)</b> |
| <b>Interest receivable</b>                      |                |                |
| Net foreign exchange gains                      | 23             | -              |
|                                                 | <u>(2,679)</u> | <u>(2,632)</u> |

**WEST BROWNCastle WIND ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2015****5 Taxation**

|                                   | <b>2015</b>  | <b>2014</b>  |
|-----------------------------------|--------------|--------------|
|                                   | <b>£'000</b> | <b>£'000</b> |
| Current tax charge - prior year   | 3            | -            |
| Current tax credit - current year | 770          | 1,804        |
| Deferred tax charge (Note 7)      | (410)        | (1,300)      |
|                                   | <u>363</u>   | <u>504</u>   |

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK applicable to profits of the Company as follows:

|                                                                                                              | <b>2015</b>  | <b>2014</b>  |
|--------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                              | <b>£'000</b> | <b>£'000</b> |
| Loss on ordinary activities before taxation                                                                  | (463)        | (2,043)      |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014— 21.5%) | (94)         | (439)        |
| Expenses not deductible for tax purposes                                                                     | 55           | 32           |
| Adjustments for prior year                                                                                   | (3)          | -            |
| Change in tax rate                                                                                           | (321)        | (97)         |
|                                                                                                              | <u>(363)</u> | <u>(504)</u> |

**WEST BROWNCastle WIND ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2015****6 Tangible fixed assets**

|                                                                | <b>Plant and<br/>machinery<br/>£'000</b> | <b>Assets under<br/>construction<br/>£'000</b> | <b>Total<br/>£'000</b> |
|----------------------------------------------------------------|------------------------------------------|------------------------------------------------|------------------------|
| <b>Cost</b>                                                    |                                          |                                                |                        |
| At 1 January 2014                                              | -                                        | 34,616                                         | 34,616                 |
| Additions                                                      | -                                        | 15,791                                         | 15,791                 |
| Transfer from Assets Under Construction to Plant and Machinery | 50,407                                   | (50,407)                                       | -                      |
| At 31 December 2014                                            | 50,407                                   | -                                              | 50,407                 |
| Additions                                                      | 459                                      | -                                              | 459                    |
| At 31 December 2015                                            | 50,866                                   | -                                              | 50,866                 |
| <b>Accumulated depreciation</b>                                |                                          |                                                |                        |
| Charge                                                         | 1,314                                    | -                                              | 1,314                  |
| At 31 December 2014                                            | 1,314                                    | -                                              | 1,314                  |
| Charge                                                         | 2,511                                    | -                                              | 2,511                  |
| At 31 December 2015                                            | 3,825                                    | -                                              | 3,825                  |
| <b>Net book amount</b>                                         |                                          |                                                |                        |
| At 31 December 2015                                            | 47,041                                   | -                                              | 47,041                 |
| At 31 December 2014                                            | 49,093                                   | -                                              | 49,093                 |

Interest costs were not capitalised during the period (2014: £1,886,000).

**WEST BROWNCASTLE WIND ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2015****7 Deferred tax**

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

The gross movement on the deferred income tax account is as follows:

|                                                 | 2015<br>£'000  | 2014<br>£'000  |
|-------------------------------------------------|----------------|----------------|
| Beginning of year (liability)/asset             | (1,297)        | 3              |
| Charged to the profit and loss account (Note 5) | (410)          | (1,300)        |
| End of year - liability                         | <u>(1,707)</u> | <u>(1,297)</u> |

The calculation of deferred tax balances at the year-end takes into account the reduction, substantively enacted on 2 July 2013 in the UK main corporation tax rate to 20% that was effective from 1 April 2015 and the reduction, substantially enacted on 26 October 2015 in the UK main corporation tax rate to 19% effective from 1 April 2017 and a further reduction to 18% that will be effective from 1 April 2020. Deferred tax has been calculated using the tax rates that are expected to apply in the periods in which timing differences reverse (2014: 20%).

The movement in deferred tax assets and liabilities during the year is as follows:

|                                        | Accelerated<br>capital<br>allowances &<br>losses<br>£'000 |
|----------------------------------------|-----------------------------------------------------------|
| <b>Deferred tax liability</b>          |                                                           |
| At 1 January 2014                      | 3                                                         |
| Charged to the profit and loss account | (1,300)                                                   |
| At 31 December 2014                    | (1,297)                                                   |
| Charged to the profit and loss account | (410)                                                     |
| At 31 December 2015                    | <u>(1,707)</u>                                            |

**8 Trade and other debtors**

|                                  | 2015<br>£'000 | 2014<br>£'000 |
|----------------------------------|---------------|---------------|
| <b>Current</b>                   |               |               |
| Amounts due from related parties | 2,575         | 1,804         |
| Trade debtors                    | 2,676         | 179           |
| Accrued income and prepayments   | 135           | 1,914         |
|                                  | <u>5,386</u>  | <u>3,897</u>  |

**WEST BROWNCastle WIND ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2015****9 Cash at bank and in hand**

|                          | <b>2015</b>  | <b>2014</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£'000</b> | <b>£'000</b> |
| Cash at bank and in hand | 187          | 24           |

**10 Authorised and issued share capital**

|                                        | <b>2015</b>   | <b>2014</b>   | <b>2015</b>  | <b>2014</b>  |
|----------------------------------------|---------------|---------------|--------------|--------------|
|                                        | <b>Number</b> | <b>Number</b> | <b>£'000</b> | <b>£'000</b> |
| <b>Authorised</b>                      |               |               |              |              |
| Ordinary shares with a par value of £1 | 100           | 100           | -            | -            |
|                                        | 100           | 100           | -            | -            |

There are no differential rights, restrictions or preferences attached to the different classes of shares above.

**11 Provisions for liabilities and charges**

|                              | <b>2015</b>  | <b>2014</b>  |
|------------------------------|--------------|--------------|
|                              | <b>£'000</b> | <b>£'000</b> |
| Balance at beginning of year | 820          | 720          |
| Provision made in year       | -            | 100          |
| Balance at end of year       | 820          | 820          |

The decommissioning provision of £820,000 comprises future obligations in relation to the decommissioning of plant and equipment at the end of its useful life, based on independent expert valuations.

**12 Loans**

|                                | <b>2015</b>  | <b>2014</b>  |
|--------------------------------|--------------|--------------|
|                                | <b>£'000</b> | <b>£'000</b> |
| Amounts due to related parties | 51,173       | 49,931       |

Analysis of financial liabilities (principal amounts: amounts due by contractual maturity):

|                       | <b>2015</b>  | <b>2014</b>  |
|-----------------------|--------------|--------------|
|                       | <b>£'000</b> | <b>£'000</b> |
| Not later than 1 year | 51,173       | 49,931       |

Amounts due to related parties are unsecured, have no fixed terms of repayment and carry interest at 5.48% per annum (2014: 12.30%). On January 2015 the Company reduced the interest rate following a Transfer Pricing review performed by the ultimate parent Falck Renewables.

**WEST BROWNCastle WIND ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2015****13 Trade and other creditors**

|                                | 2015<br>£'000 | 2014<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>Non-current</b>             |               |               |
| Accrued expenses               | 191           | -             |
|                                | <u>191</u>    | <u>-</u>      |
| <b>Current</b>                 |               |               |
| Trade creditors                | 16            | 138           |
| Accrued expenses               | 228           | 215           |
| VAT payable                    | 92            | 75            |
| Amounts due to related parties | 34            | 2,085         |
|                                | <u>370</u>    | <u>2,513</u>  |

**14 Commitments***Operating lease commitments*

The Company leases the land on which the wind farm is erected under non-cancellable operating lease arrangements which are subject to contingent rents. The amount expensed in 2015 was £514,000 (2014: £184,000).

Total commitments including estimates of contingent rents are:

|                            | 2015<br>£'000 | 2014<br>£'000 |
|----------------------------|---------------|---------------|
| Not later than 1 year      | 425           | 199           |
| Between 1 year and 5 years | 1,763         | 1,064         |
| Later than 5 years         | 7,557         | 8,322         |
|                            | <u>9,745</u>  | <u>9,585</u>  |

The estimate rents detailed above are composed of a fixed amount, in 2015 the rent expense was made up of 100% fixed cost which is index linked to the Retail Price Index published monthly.

**WEST BROWNCastle WIND ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2015****15 Related party transactions**

During the year the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

|                             |       | 2015          | 2015            | 2014          | 2014            |
|-----------------------------|-------|---------------|-----------------|---------------|-----------------|
|                             |       | Due from      | Due to          | Due from      | Due to          |
|                             |       | related party | related party   | related party | related party   |
|                             |       | £'000         | £'000           | £'000         | £'000           |
| 1. Parent Company           | Trade | -             | (34)            | -             | (2,085)         |
|                             | Other | 1,360         | -               | 1,195         | -               |
|                             | Loans | -             | (51,173)        | -             | (49,931)        |
| 2. Other subsidiary sisters | Other | 1,215         | -               | 609           | -               |
|                             | Total | <u>2,575</u>  | <u>(51,207)</u> | <u>1,804</u>  | <u>(52,016)</u> |

**16 Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Falck Renewables Wind Limited.

The ultimate parent undertaking and controlling party is Finmeria Srl, a company incorporated in Italy.

Finmeria Srl is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2015. The consolidated financial statements of Finmeria Srl are available from Corso Genova 5, 20123 Milano, Italy.

Falck Renewables SpA is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Falck Renewables SpA can be obtained from via Alberto Falck 4-16, 20099 Sesto San Giovanni, Italy.