

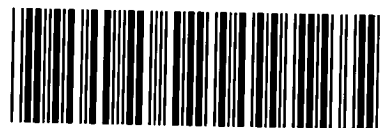
MILLENNIUM WIND ENERGY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

**Company number
SC254420**

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MILLENNIUM WIND ENERGY LIMITED
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MILLENNIUM WIND ENERGY LIMITED

STRATEGIC REPORT

Year ended 31 December 2016

Business Review

The Company is incorporated in the UK as a limited company and its registered office and principal place of business is located at Beauly 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 65.0 MW Millennium wind farm, located to the south west of Inverness, Scotland. The wind farm has been operating and generating electricity according to long-term expectations and the directors expect the Company to continue to operate the wind farm profitably in future.

The results of the Company are set out on page 9 and show a profit on ordinary activities before taxation of £1,368,000 (2015: profit of £7,635,000) and profit after taxation of £1,326,000 (2015: profit of £6,663,000).

At year end the Company had total assets of £60,591,000 (2015: £66,771,000) and total liabilities of £49,724,000 (2015: £57,431,000).

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as follows:

Market interest rate risk

The Company uses a combination of financing from third parties as well as its parent companies. These loans carry interest at market related rates, resulting in market interest rate risk. These risks are evaluated on an ongoing basis and interest rate swaps are generally put in place to limit this risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance by monitoring levels of debt finance and the related finance costs.

In order to ensure the stability of cash outflows, the Company has taken out loans which are repayable in instalments over terms of at least 15 years. To reduce exposure to interest rate risk, the Company ensures it has an appropriate balance between fixed and floating rate loans and uses interest rate swaps where necessary to pay an effective fixed rate of interest.

The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

Liquidity risk

As mentioned under market interest rate risk, the Company is part financed by loans from its parent companies. The risk of the parent companies discontinuing the provision of financing is regarded as low.

Market price risk

The Company sells electricity using mainly medium term contracts and is subject to the risk of lower than expected market prices in the medium term. Market prices are monitored on an ongoing basis and the most beneficial sale prices and contract duration periods are negotiated using available information from time to time.

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.

By order of the Board



R T Reed
Director
3 March 2017

MILLENNIUM WIND ENERGY LIMITED

DIRECTORS' REPORT

Year ended 31 December 2016

Registered No. SC254420

The Directors present their annual report for the year ended 31 December 2016.

Dividends

The Company declared and paid a dividend of £165,000 during the year (2015: £nil).

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.

Events since the balance sheet date

We have not noted any post balance sheet events.

Donations

The Company made a donation of £113,000 (2015: £149,000) 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 of the Company

S Chiericoni

R T Reed

S Toftgaard

D Picton-Turbervill (appointed 30 September 2016)

G Toffolatti (resigned 30 September 2016)

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

Financial Instruments

The Company finances its activities with a combination of bank loans, loans from its parent companies, cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate risks arising from the Company's operations and its sources of finance.

Financial Instruments give rise to interest rate, credit, price and liquidity risk. Information on how these risks arise is set out above, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Use of derivatives

The Company uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements. Hedge accounting is used when certain criteria is met as explained in the accounting policy note on page 15.

MILLENNIUM WIND ENERGY LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 December 2016

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 derivative activities, and its exposures to liquidity, price, credit and weather risk are described in the Strategic Report and the Directors' Report on pages 3 and 4.

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. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Auditors

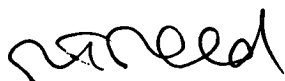
A resolution to reappoint Ernst & Young LLP as auditors will be proposed at the annual general meeting.

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 4. 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
3 March 2017

MILLENNIUM WIND ENERGY LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 December 2016

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 TO THE MEMBERS OF MILLENNIUM WIND ENERGY LIMITED

We have audited the financial statements of Millennium Wind Energy Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 19. 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 FRS 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MILLENNIUM WIND ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Year ended 31 December 2016

Matters on which we are required to report by exception

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 Strategic Report or Directors' Report.

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.

Ernst & Young LLP

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

3 March 2017

MILLENNIUM WIND ENERGY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover		11,744	19,121
Other operating income	4	278	96
Operating expenses	3	(8,791)	(8,474)
Operating profit		3,231	10,743
Interest receivable and similar income	5	9	22
Interest payable and similar cost	5	(1,872)	(3,130)
Profit on ordinary activities before taxation		1,368	7,635
Tax expense	6	(42)	(972)
Profit for the year		1,326	6,663
Other comprehensive income			
Items that can be reclassified to profit or loss			
Cash flow hedges:			
Gains arising during the year		523	1,392
Tax on items related to components of other comprehensive income		(155)	(290)
Other comprehensive income for the year net of tax		368	1,102
Total comprehensive income for the year		1,694	7,765

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

MILLENNIUM WIND ENERGY LIMITED

BALANCE SHEET

Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	7	51,598	54,166
Trade and other debtors	8	979	-
		<u>52,577</u>	<u>54,166</u>
Current assets			
Trade and other debtors	8	3,734	6,290
Cash at bank and in hand	9	4,280	6,315
		<u>8,014</u>	<u>12,605</u>
Total assets		<u>60,591</u>	<u>66,771</u>
Capital and reserves			
Equity share capital	10	-	-
Other reserves - deficit		(320)	(738)
Retained earnings		11,188	10,077
Total equity		<u>10,868</u>	<u>9,339</u>
Creditors: amounts falling due after more than one year			
Loans	11	34,532	38,261
Deferred tax liabilities	13	5,461	5,644
Derivative financial instruments	12	446	494
Provision for liabilities and charges	14	2,743	1,346
Trade and other creditors	15	230	-
		<u>43,412</u>	<u>45,745</u>
Creditors: amounts falling due within one year			
Loans	11	3,820	8,378
Derivative financial instruments	12	-	733
Trade and other creditors	15	2,492	2,576
		<u>6,312</u>	<u>11,687</u>
Total liabilities		<u>49,724</u>	<u>57,432</u>
Total equity and liabilities		<u>60,591</u>	<u>66,771</u>

The financial statements were approved by the Board of Directors on 3 March 2017 and were signed on its behalf by:



R T Reed
Director

MILLENNIUM WIND ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	-	(1,840)	3,414	1,574
Profit for the year	-	-	6,663	6,663
Other comprehensive income	-	1,102	-	1,102
Total comprehensive income for the year	-	1,102	6,663	7,765
At 31 December 2015	-	(738)	10,077	9,339
Profit for the year	-	-	1,326	1,326
Other comprehensive income	-	368	-	368
Total comprehensive income for the year	-	368	1,326	1,694
Transactions with owners in their capacity as owners:	-	-	(165)	(165)
Dividends				
Reclassification to retained earnings		50	(50)	-
At 31 December 2016	-	(320)	11,188	10,868

Other reserves relate to the cash flow hedge.

The reclassification relates to the ineffective portion of cash flow hedges of prior periods which management consider not to be material.

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

1 General information

Millennium Wind Energy Limited's ("the Company") principal activity is the generation of renewable energy through the development, construction and operation of the 65 MW Millennium wind farm, located South-West of Inverness, Scotland.

The Company is a private limited company incorporated and domiciled in the UK and the address of its registered office is Beauly 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.

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

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 derivative activities, and its exposures to liquidity, price, credit and weather risk are described in the Strategic Report and Directors' Report on pages 3 and 4.

The directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they 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 consolidated financial statements, are disclosed in note 2(m).

(b) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency Sterling using the exchange rates prevailing at the dates of the individual transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate ruling at the 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.

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

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. One ROC is 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.

- Other income

Liquidated damages due from turbine suppliers, in respect of late commissioning of wind farm assets and failure to achieve availability thresholds as set out in asset supply contracts, are included in other income.

(d) 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.

(e) 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.

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

2 Accounting policies (continued)

(f) 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.

(g) 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.

(h) 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.

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

2 Accounting policies (continued)

(i) Trade creditors

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

(j) Loans and loan costs

All loans are initially recognised at the fair value of the consideration received net of issue costs associated with the loan. Loans are subsequently stated at amortised 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.

(k) Financial instruments and hedging activities

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. 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. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedge of a net investment in a foreign operation.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the profit and loss account. Any gains or losses from derivatives that do qualify for hedge accounting are recognised in equity.

(l) 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.

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

2 Accounting policies (continued)

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.

(m) 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 costs

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 if material (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.

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.

(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.

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

2 Accounting policies (continued)

(o) 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.

(p) Financial Instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

ii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

iii) Fair values

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the notes.

(q) Revenue

The company operates within one geographical market: the United Kingdom.

(r) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

(s) Government grants

The award of green certificates (emission rights) is treated as a government grant by the Company. An intangible asset representing an entitlement to that grant is recognised at the point in time when the green electricity is produced. The entitlement is initially measured at the nominal amount (zero).

MILLENNIUM WIND ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2016****3 Operating Expenses**

	2016	2015
	£'000	£'000
Operation lease expense and council tax	1,309	677
Depreciation	3,965	3,971
Maintenance	2,165	1,502
Other	1,352	2,324
	<u>8,791</u>	<u>8,474</u>

The company accrued £14,000 (2015: £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 (2015: £nil).

There are no employees in the Company and therefore no employee costs (2015: £nil).

The other amount includes intercompany costs of £138,000 from Falck Renewables Wind Limited that were incurred during the year (2015: £137,000).

4 Other operating income

Other income represents compensation from maintenance suppliers in respect of failure to achieve availability thresholds as set out in supply contracts.

5 Interest and similar costs

	2016	2015
	£'000	£'000
Interest payable		
Bank fees and other charges	(72)	(59)
On loans from related parties	(167)	(692)
Bank loans	(1,527)	(2,284)
Other costs	(91)	(91)
Foreign exchange losses	(15)	(4)
Total interest payable and similar costs	<u>(1,872)</u>	<u>(3,130)</u>
Interest receivable		
Interest receivable and similar income - related parties	1	-
Bank interest receivable	7	19
Foreign exchange gains	1	3
Total interest receivable and similar income	<u>9</u>	<u>22</u>
Net finance costs	<u>(1,863)</u>	<u>(3,108)</u>

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

6 Taxation

	2016 £'000	2015 £'000
Current tax charge - current year	(380)	(1,509)
Deferred tax credit (note 13)	338	537
	<u>(42)</u>	<u>(972)</u>

The tax on the Company's profit 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:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	1,368	7,635
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015- 20.25%)	(274)	(1,546)
Expenses not deductible for tax purposes	(11)	(11)
Adjustments in respect of prior periods	13	1
Change in tax rate	230	584
	<u>(42)</u>	<u>(972)</u>

7 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 January 2015	80,020
At 31 December 2015	80,020
Additions	1,397
At 31 December 2016	81,417
Accumulated depreciation	
At 1 January 2015	21,883
Charge	3,971
At 31 December 2015	25,854
Charge	3,965
At 31 December 2016	29,819
Net book amount	
At 31 December 2016	51,598
At 31 December 2015	54,166

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

8 Trade and other debtors

	2016 £'000	2015 £'000
Non-current		
Amounts due from related parties (Note 15)	979	-
	<u>979</u>	<u>-</u>
Current		
Trade debtors	3,517	5,184
Accrued income and prepayments	113	80
Corporation tax refund	104	47
Amounts due from related parties (Note 15)	-	979
	<u>3,734</u>	<u>6,290</u>

Amounts due from related parties have no fixed terms of repayment and do not bear interest.

Amounts due from related parties are mainly composed of group tax relief.

9 Cash at bank and in hand

	2016 £'000	2015 £'000
Cash at bank and in hand	4,280	6,315

As part of the security package for bank loans, the Company is required to set aside cash as security for scheduled repayments. At year end £2,457,000 (2015: £2,874,000) included above was set aside for this purpose.

10 Authorised and issued share capital

	2016 Number	2015 Number	2016 £'000	2015 £'000	Additional paid-in capital £'000
Authorised					
Ordinary shares with a par value of £1	1,000	1,000	1	1	-
	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>	<u>-</u>

All issued shares are fully paid.

	2016 Number	2015 Number	2016 £'000	2015 £'000	Additional paid-in capital £'000
Issued					
Ordinary shares with a par value of £1	100	100	-	-	-
	<u>100</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

11 Loans

	2016 £'000	2015 £'000
Non-current		
Bank loans	34,532	38,261
	<u>34,532</u>	<u>38,261</u>
Current		
Bank loans	3,820	3,509
Amounts due to related parties (note 16)	-	4,869
	<u>3,820</u>	<u>8,378</u>
Total loans	<u>38,352</u>	<u>46,639</u>

Bank loans are denominated in sterling, repayable in instalments over eleven years ending 15 April 2027 and are secured over the shares of the Company. Interest and principal repayments are payable half yearly subject to the availability of funds and these loans bear interest at 6 month LIBOR plus a 1.5% margin. The loans are subject to certain financial covenants, all of which were met at 31 December 2016.

The amortised cost (carrying amount) and fair value of loans are as follows:

	Amortised cost		Fair value	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank loans	38,352	41,770	39,105	42,614
Amounts due to related parties	-	4,869	-	4,869
	<u>38,352</u>	<u>46,639</u>	<u>39,105</u>	<u>47,482</u>

The difference between Amortised cost and Fair Value is represented by transaction costs of £753,000 (2015: £843,300).

The fair value of loans has been calculated by discounting expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.

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

	2016 £'000	2015 £'000
Not later than 1 year	3,820	8,378
Between 1 year and 5 years	18,412	17,411
Later than 5 years	16,120	20,850
Balance at end of year	<u>38,352</u>	<u>46,639</u>

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

12 Derivative financial instruments

	2016 £'000 Assets	2016 £'000 Liabilities	2015 £'000 Assets	2015 £'000 Liabilities
Non-current				
Interest rate swaps	-	446	-	494
	-	446	-	494
Current				
Interest rate swaps	-	-	-	733
	-	-	-	733
Total derivative financial instruments	-	446	-	1,227

The Company uses derivatives to manage the risk associated with fluctuating interest rates on its long term loans.

The Company met the requirements for hedge accounting for interest rate swaps with effect from 1 July 2008. Changes in the fair value of interest rate swaps before hedge accounting was applied were recognised immediately in the profit and loss account within finance income/costs. Subsequent changes are recognised in equity and recycled to the profit and loss account in the period when the hedged item affects profit or loss. There was no ineffectiveness to be recorded in 2016.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2016 were £6,834,000 (2015: £7,314,000). During the year two interest rate swap contracts with a notional principal amount of £24,320,000 expired on the 15 April 2016 and 17 October 2016. At 31 December 2016, the fixed interest rates on the remaining contracts were 3.49% (2015: 3.49%) and the main floating rate was LIBOR + margin. The maximum exposure to credit risk at each reporting date is the fair value of the derivative liabilities in the balance sheet for the portion of the loan covered by the interest rate swap in the balance sheet.

13 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:

	2016 £'000	2015 £'000
Beginning of year – liability	5,644	5,891
Profit and loss account (credit)/charge	(338)	(537)
Other reserves charge	155	290
End of year - liability	5,461	5,644

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

13 Deferred tax (continued)

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

	Accelerated capital allowances £'000
Deferred tax liabilities	
At 1 January 2015	6,433
Credited to the profit and loss account	(537)
	<hr/>
At 31 December 2015	5,896
Credited to the profit and loss account	(338)
	<hr/>
At 31 December 2016	5,558
	<hr/>
	Fair value losses £'000
Deferred tax asset	
At 1 January 2015	542
Charged to other reserves	(290)
	<hr/>
At 31 December 2015	252
Charged to other reserves	(155)
	<hr/>
At 31 December 2016	97
	<hr/>

The calculation of deferred tax balances at the year-end takes into account 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 17% that will be effective from 1 April 2020, substantially enacted on 6 September 2016. Deferred tax in both the current and prior year has been calculated using the tax rates that are expected to apply in the periods in which timing differences reverse.

These deferred tax balances are represented by:

	2016 £'000	2015 £'000
Fixed assets	5,547	5,884
Derivatives	(86)	(240)
	<hr/>	<hr/>
	5,461	5,644
	<hr/>	<hr/>

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

14 Provisions for liabilities and charges

	2016 £'000	2015 £'000
Balance at beginning of year	1,346	1,346
Provision arisen during the year	1,397	-
Balance at end of year	<u>2,743</u>	<u>1,346</u>

The decommissioning provision of £2,743,000 comprises future obligations in relation to the decommissioning of plant and equipment at the end of its useful life, based on independent expert valuations. The increase in the decommissioning provision is due to the valuation incorporating the updated estimate of dismantle costs and the associated costs to transport second-hand turbines.

15 Trade and other creditors

	2016 £'000	2015 £'000
Non-current		
Amounts due to related parties (Note 16)	230	-
	<u>230</u>	<u>-</u>
Current		
Trade creditors	748	406
Accrued expenses	165	167
VAT payable	96	212
Amounts due to related parties (Note 16)	1,483	1,791
	<u>2,492</u>	<u>2,576</u>

Amounts due to related parties are mainly composed of group tax relief.

16 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:

		2016		2015	
		Due from related party £'000	Due to related party £'000	Due from related party £'000	Due to related party £'000
1. Parent Company	Trade	-	(41)	-	(41)
	Other	979	-	979	-
	Loans	-	-	-	(2,483)
2. Other shareholders	Other	-	(926)	-	(863)
	Loans	-	-	-	(2,386)
3. Other subsidiary sisters	Other	-	(747)	-	(887)
	Total	979	(1,714)	979	(6,660)

MILLENNIUM WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

17 Dividends

	2016 £'000	2015 £'000
Equity dividends on ordinary shares	165	-

Equity dividends of £165 per share was declared and paid during the year (2015: nil).

18 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 expended in 2016 was £567,000 (2015: £691,000).

Total commitments including estimates of contingent rents are:

	2016 £'000	2015 £'000
Not later than 1 year	618	679
Between 1 year and 5 years	2,698	2,847
Later than 5 years	9,113	10,697
Balance at end of year	12,429	14,223

The estimate rents detailed above are composed of a fixed amount and a variable amount, the variable amount being dependent on the performance of the Company. In 2016 the rent expense was made up of 77% fixed cost (2015: 61%) and 23% variable cost (2015: 39%).

The company leases a substation at the site of the wind farm on an operating lease arrangement. The amount expended in 2016 was £217,000 (2015: £217,000).

	2016 £'000	2015 £'000
Not later than 1 year	218	218
Between 1 year and 5 years	871	871
Later than 5 years	980	1,198
Balance at end of year	2,069	2,287

19 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 2016. The consolidated financial statements of Finmeria Srl are available from Corso Genova 5, 20123 Milano, Italy.

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