

PATES HILL WIND ENERGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



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PATES HILL WIND ENERGY LIMITED

COMPANY INFORMATION

Directors	P W Kent S C J Ellis R N Kierans N S Parker R A Johnstone Wright
Registered number	SC299298
Registered office	c/o Morton Fraser LLP Quartermile Two 5th Floor 2 Lister Square Edinburgh EH3 9GL
Independent auditors	Ernst & Young LLP Statutory Auditor Bedford House 16 Bedford Street Belfast BT2 7DT

PATES HILL WIND ENERGY LIMITED

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PATES HILL WIND ENERGY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company in the period under review was that of operation of a wind farm. The company had no employees during the period (2017: Nil).

The profit for the year, after taxation, amounted to £874,600 (2017 - £959,751).

The directors consider the financial performance to be satisfactory in 2018.

Going concern

At 31 December 2018 the company had net current liabilities of £4,907,153 (2017: £6,832,452). Included within current liabilities are amounts owed to the company's parent undertaking of £6,272,940 (2017: £8,340,129) that are repayable on demand. Consequently, the company is dependent on continuing finance being made available by its parent undertaking to enable it to continue operating and to meet its liabilities as they fall due. The company directors have received confirmation from the parent company that amounts owed by the company will not be called upon within 12 months of approval of these financial statements. The company is part of a group which holds a term loan bank facility of £25.9m at 31 December 2018 with final payments due June 2030 and group projections have been prepared showing sufficient cash will be generated from operations to service the debt for the foreseeable future. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the company's parent undertaking, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served during the year were:

P W Kent
S C J Ellis
R N Kierans
N S Parker
R A Johnstone Wright

PATES HILL WIND ENERGY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Future outlook

Management will continue to maximise efficiency and generate as much electricity and profit subject to wind performance and market influence in pricing.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

PATES HILL WIND ENERGY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Disclosure of information to auditors

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

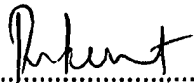
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors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

Small companies note

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

The directors have not prepared a strategic report as the company is entitled to the special provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006.

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



.....
P W Kent
Director

Date: 5th July

PATES HILL WIND ENERGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PATES HILL WIND ENERGY LIMITED

Opinion

We have audited the financial statements of Pates Hill Wind Energy Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

PATES HILL WIND ENERGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PATES HILL WIND ENERGY LIMITED (CONTINUED)

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

PATES HILL WIND ENERGY LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PATES HILL WIND ENERGY LIMITED
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditors' Report.

Use of our report

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

Ernst & Young LLP

Michael Christie (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP

Statutory Auditor

Date: *9 July 2019*

PATES HILL WIND ENERGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	2,911,644	2,998,993
Cost of sales		(1,833,843)	(1,840,784)
Gross profit		1,077,801	1,158,209
Administrative expenses		(125,929)	(143,982)
Operating profit	5	951,872	1,014,227
Interest receivable and similar income	7	-	335
Interest payable and similar expenses	8	(77,272)	(54,811)
Profit before tax		874,600	959,751
Profit for the financial year		874,600	959,751

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 11 to 22 form part of these financial statements.

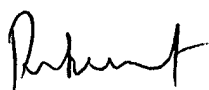
PATES HILL WIND ENERGY LIMITED
REGISTERED NUMBER: SC299298

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	11,735,046	12,785,745
		<u>11,735,046</u>	<u>12,785,745</u>
Current assets			
Debtors: amounts falling due within one year	11	1,012,202	1,089,548
Cash at bank and in hand	12	593,451	605,832
		<u>1,605,653</u>	<u>1,695,380</u>
Creditors: amounts falling due within one year	13	(6,512,806)	(8,527,832)
Net current liabilities		<u>(4,907,153)</u>	<u>(6,832,452)</u>
Total assets less current liabilities		<u>6,827,893</u>	<u>5,953,293</u>
Net assets		<u>6,827,893</u>	<u>5,953,293</u>
Capital and reserves			
Called up share capital	16	200	200
Profit and loss account		6,827,693	5,953,093
		<u>6,827,893</u>	<u>5,953,293</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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



P W Kent
Director

Date: 5th July 2019

The notes on pages 11 to 22 form part of these financial statements.

PATES HILL WIND ENERGY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	200	5,953,093	5,953,293
Comprehensive income for the year			
Profit for the year	-	874,600	874,600
Total comprehensive income for the year	-	874,600	874,600
At 31 December 2018	200	6,827,693	6,827,893

Share capital:

Share capital represents the nominal value of shares that have been issued.

Profit and loss account:

Profit and loss account includes all current and prior period retained profits and losses attributable to the shareholders of the parent company.

PATES HILL WIND ENERGY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	200	4,993,342	4,993,542
Comprehensive income for the year			
Profit for the year	-	959,751	959,751
Total comprehensive income for the year	-	959,751	959,751
At 31 December 2017	200	5,953,093	5,953,293

The notes on pages 11 to 22 form part of these financial statements.

Share capital:

Share capital represents the nominal value of shares that have been issued.

Profit and loss account:

Profit and loss account includes all current and prior period retained profits and losses attributable to the shareholders of the parent company.

PATES HILL WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

These financial statements are presented in pounds sterling (GBP) and to the nearest pound. The company's functional and presentational currency is the pound sterling. They comprise the financial statements of the company for the year ended 31 December 2018 and presented to the nearest pound.

The principal activity of the company during the period was that of operation of a wind farm.

The company is a United Kingdom company limited by shares. It is both incorporated and domiciled in Scotland. The registered office address is c/o Morton Fraser LLP, Quartermile Two, 5th Floor, 2 Lister Square, Edinburgh, EH3 9GL.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102:

- the requirements of Section 7 Statement of Cash Flows

2.3 Going concern

At 31 December 2018 the company had net current liabilities of £4,907,153 (2017: £6,832,452). Included within current liabilities are amounts owed to the company's parent undertaking of £6,272,940 (2017: £8,340,129) that are repayable on demand. Consequently, the company is dependent on continuing finance being made available by its parent undertaking to enable it to continue operating and to meet its liabilities as they fall due. The company directors have received confirmation from the parent company that amounts owed by the company will not be called upon within 12 months of approval of these financial statements. The company is part of a group which holds a term loan bank facility of £25.9m at 31 December 2018 with final payments due June 2030 and group projections have been prepared showing sufficient cash will be generated from operations to service the debt for the foreseeable future. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the company's parent undertaking, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Revenue

Turnover represents the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales duty. All revenue is received from UK sources.

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance.

PATES HILL WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Plant and machinery	- 20 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Short term debtors and creditors

Debtors and creditors with no stated interest rates and receivable or payable within one year are recorded at transactions price. Any loss arising from impairment are recognised in the Statement of Comprehensive Income in administration expenses.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and short term deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

PATES HILL WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to/from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cashflows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Operating leases: Lessee

The fixed element of rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2.10 Finance costs

Finance costs are charged to the Income Statement over the term of the debt.

2.11 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

PATES HILL WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.12 Provisions for liabilities

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

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

PATES HILL WIND ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The following judgment has the most significant effect on amounts recognised in the financial statements:

Operating lease commitments

The company has entered into property leases and as a lessee obtains the use of the land and access rights. The classification of such leases as operating or finance leases required the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquired the significant risks and rewards of ownership of these assets and accordingly whether the lease required an asset and liability to be recognised in the statement of financial position.

The following are the company's key sources of estimation uncertainty:

Decommissioning liabilities

Provision has not been recognised in respect of wind farm site restoration costs on the basis that the directors have determined the likelihood of a liability arising is remote based on the assumptions that the scrap value of the turbines will be sufficient to cover any decommissioning costs and that there is also the potential that the wind farm will be re-energised and the related site lease renewed. If circumstances indicate otherwise, the company will recognise an appropriate provision.

4. Analysis of turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	2,911,644	2,998,993
	<u>2,911,644</u>	<u>2,998,993</u>

PATES HILL WIND ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	1,050,699	1,050,699
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	9,220	7,600
Operating lease rentals	<u>157,286</u>	<u>158,883</u>

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2017: £Nil).

The average monthly number of employees, including directors, during the year was 5 (2017 - 3).

7. Interest receivable

	2018 £	2017 £
Other interest receivable	-	335
	<u>-</u>	<u>335</u>

8. Interest payable and similar expenses

	2018 £	2017 £
Interest on intercompany loans	77,272	54,811
	<u>77,272</u>	<u>54,811</u>

PATES HILL WIND ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Taxation

	2018 £	2017 £
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before tax	874,600	959,751
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	166,174	184,719
Effects of:		
Expenses not deductible for tax purposes	3,510	3,556
Movement in unrecognised deferred tax	(169,684)	(188,275)
Total tax charge for the year	-	-

Factors that may affect future tax charges

The prevailing UK corporation tax rate was substantively enacted as part of the Finance Act 2019 on 12 February 2019. This reduces the main rate of tax to 17% from April 2020.

PATES HILL WIND ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Tangible fixed assets

	Plant and machinery £
Cost or valuation	
At 1 January 2018	21,013,992
At 31 December 2018	21,013,992
Depreciation	
At 1 January 2018	8,228,247
Charge for the year	1,050,699
At 31 December 2018	9,278,946
Net book value	
At 31 December 2018	11,735,046
At 31 December 2017	12,785,745

The fixed assets of the company are pledged as security for the parent undertaking's bank loan facility, by way of a first legal mortgage and by way of a floating charge over all other assets. As at 31 December 2018 the secured bank borrowings of the parent undertaking amounted to £25,863,043 (2017: £26,855,873).

PATES HILL WIND ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Debtors

	2018 £	2017 £
Trade debtors	-	101,554
Other debtors	203,719	203,719
Prepayments and accrued income	808,483	784,275
	<u>1,012,202</u>	<u>1,089,548</u>

12. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	593,451	605,832
	<u>593,451</u>	<u>605,832</u>

13. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	37,912	66,486
Amounts owed to group undertakings	6,272,940	8,340,129
Other taxation and social security	122,978	63,137
Accruals and deferred income	78,976	58,080
	<u>6,512,806</u>	<u>8,527,832</u>

The amount due to parent company relates to an interest bearing loan at the historical six month LIBOR rate at year-end. This is unsecured and is repayable on demand.

PATES HILL WIND ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	593,451	605,832
Financial assets that are debt instruments measured at amortised cost	904,906	972,160
	<u>1,498,357</u>	<u>1,577,992</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(6,389,828)</u>	<u>(8,469,752)</u>

Financial assets measured at fair value comprise of cash.

Financial assets measured at amortised cost comprise of trade, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and amounts owed to related undertakings.

15. Deferred taxation

The calculation of deferred tax indicates a deferred tax asset on non-trade losses and fixed asset balances arising in the current and previous year. The recoverability of the deferred tax asset is dependent on future taxable profits. Consequently, the deferred tax asset has not been recognised as at 31 December 2018. The total unrecognised potential deferred tax asset amounted to £430,403 (2017: £582,226) at the balance sheet date.

16. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
200 (2017 - 200) Ordinary shares of £1.00 each	<u>200</u>	<u>200</u>

The shares of the company are pledged as security for the parent company's bank loan facility.

PATES HILL WIND ENERGY LIMITED

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17. Financial commitments

Commitments under contracts

At 31 December 2018 the company had annual commitments under non-cancellable contracts as follows:

(i) The company has entered into a long term service agreement with an electricity provider to supply electricity produced by the wind farm project, due to expire in March 2030.

(ii) The company has entered into non-cancellable agreements due to expire in 2020 and 2025 respectively. The company had annual and total commitments under these agreements as at 31 December 2018 as set out below. The amounts stated represent the base charges which are adjusted for indexation. Therefore the actual annual payments are greater than the amounts stated below.

	Annual commitment £	<i>Total commitment £</i>
a) Management Service Agreement	102,000	153,000
b) Turbine Servicing Agreements	252,000	1,764,000
	<u>354,000</u>	<u>1,917,000</u>

Operating lease

The company has entered into operating lease agreements to lease land to enable it to operate its wind farm projects, due to expire in 2034. At 31 December 2018 the company had annual and total commitments under non cancellable agreements as set below. The amounts stated represent the base charges which are adjusted for indexation. Therefore the actual annual payments are greater than the amounts stated below.

	Annual commitment £	<i>Total commitment £</i>
Operating lease	80,000	1,366,667
	<u>80,000</u>	<u>1,366,667</u>

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018 £	<i>2017 £</i>
Not later than one year	80,000	80,000
Later than one year but not later than five years	320,000	320,000
Later than five years	966,667	1,046,667
	<u>1,366,667</u>	<u>1,446,667</u>

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18. Related party transactions

During the period the company entered into the following transactions with related parties:

Entap Limited: Subsidiary of Platina Energy Partners LLP (the investment advisor of P.E.S.Y. GBP S.a.r.l and Partners SCA). Effective 01 December 2017, Entap Limited is no longer a related party as a result of the sale of the group to Gravis Asset Holdings Limited.

	2018 £	2017 £
a) Loan from Holding Company: Danu II Holdings Limited owed at 31 December	6,272,940	8,340,129
b) Interest Payable for the year ended 31 December: Danu II Holdings Limited	77,272	54,811
c) Operations Management Fees for the year ended 31 December: Entap Limited	-	106,597
	<u> </u>	<u> </u>

19. Controlling party

The company's immediate parent company is Danu II Holdings Limited (registered in the United Kingdom).

The immediate parent party of Danu II Holdings Limited is Gravis Onshore Wind 2 Limited (registered in the United Kingdom). The ultimate parent and controlling party is Gravis Asset Holdings Limited, a private company limited by shares and registered in the United Kingdom.

The company's results are included in the consolidated financial statements of Danu II Holdings Limited which is the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. The consolidated financial statements of Danu II Holdings Limited are available from Companies House.