

INVERCLYDE RENEWABLES LLP

MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



INVERCLYDE RENEWABLES LLP

INFORMATION

Designated Members

Lucinda Victoria Chetwode
Inverclyde Windfarm Limited
Guy John Foley Russell (resigned 31/5/2016)
Ludovic Houston Shaw Stewart
Nick Wright (appointed 31/5/2016)

LLP registered number

SO304001

Registered office

Clyde View (Suite F3), Riverside Business Park, Greenock, Inverclyde, PA15 2UZ

Independent auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

Lloyds Bank, 25 Gresham Street, London, EC2V 7HN

INVERCLYDE RENEWABLES LLP

CONTENTS

	Page
Members' Report	1 - 2
Independent Auditors' Report	3 - 4
Income Statement and Statement of Comprehensive Income	5
Statement of Financial Position	6 - 7
Statement of Changes in Equity	8
Notes to the Financial Statements	9 - 14

INVERCLYDE RENEWABLES LLP

MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The members present their annual report together with the financial statements of Inverclyde Renewables LLP (the "LLP") for the ended 31 December 2016.

Members' responsibilities

The members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulation.

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the group and Limited Liability Partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under these regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and Limited Liability Partnership and of the profit or loss of the group for that period.

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

- select suitable accounting policies 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 Limited Liability Partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Liability Partnership's transactions, disclose with reasonable accuracy at any time the financial position of the Limited Liability Partnership, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the LLP during the year under review is the development of a windfarm.

Results and dividends

The loss for the year amounted to £144,816 (2015: Loss of £101,054). The members do not recommend payment of any profit shares (2015: nil).

Members

The designated members during the year under review were:

Inverclyde Windfarm Limited
Lucinda Victoria Chetwode (AS TRUSTEE FOR ARDGOWAN TRUST)
Guy John Foley Russell (AS TRUSTEE FOR ARDGOWAN TRUST) resigned 31 May 2016
Ludovic Houston Shaw Stewart (AS TRUSTEE FOR ARDGOWAN TRUST)
Nick Wright (AS TRUSTEE FOR ARDGOWAN TRUST) appointed 31 May 2016

INVERCLYDE RENEWABLES LLP

**MEMBERS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Qualifying indemnity provisions

The LLP does not provide qualifying third party indemnity for its members.

Disclosure of information to auditors

So far as each person who was a Member at the date of approving this report is aware there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. Having made enquiries of fellow Members, each Member has taken all steps that he is obliged to take as a Member in order to make himself aware of any relevant audit information and to ascertain that the auditor is aware of that information. BDO LLP has expressed its willingness to continue in office and a resolution to reappoint BDO LLP will be proposed at the annual general meeting.

Small company exemption

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small Limited Liability Partnerships. The LLP is exempt from preparing a strategic report.

This report was approved by the members on 09/05/2017 and signed on their behalf by:



Alan George Baker
on behalf of Inverclyde Windfarm Limited - Designated Member

INVERCLYDE RENEWABLES LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INVERCLYDE RENEWABLES LLP

We have audited the financial statements of Inverclyde Renewables LLP for the year ended 31 December 2016, which comprise the Income Statement and Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the limited liability partnership's members in accordance with The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an Auditors' 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 partnership and the partnership's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Members and Auditors

As explained more fully in the Members' Responsibilities Statement, the members 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

INVERCLYDE RENEWABLES LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INVERCLYDE RENEWABLES LLP (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006, as applied to limited liability partnerships, 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
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare the financial statements, and the members' report in accordance with the small limited liability partnerships' regime.



Marc Reinecke (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
United Kingdom

Date: 9 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INVERCLYDE RENEWABLES LLP

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Administrative expenses		(11,276)	(8,047)
Operating loss		(11,276)	(8,047)
Interest payable and expenses	6	(133,540)	(93,007)
Loss before tax		(144,816)	(101,054)
Loss for the year before members' remuneration and profit shares available for discretionary division among members		<u>(144,816)</u>	<u>(101,054)</u>
Other comprehensive income for the year			
Total comprehensive loss for the year		<u>(144,816)</u>	<u>(101,054)</u>

The notes on pages 9 to 14 form part of these financial statements.

INVERCLYDE RENEWABLES LLP
REGISTERED NUMBER: SO304001

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2016 £	2015 £	2015 £
Current assets					
Project in development	8	1,804,220		1,352,729	
Debtors: amounts falling due within one year	9	25,452		36,003	
Cash at bank and in hand		1,317		968	
		<u>1,830,989</u>		<u>1,389,700</u>	
Creditors: amounts falling due within one year	10	(2,166,732)		(1,580,627)	
Net current liabilities			(335,743)		(190,927)
Total assets less current liabilities			(335,743)		(190,927)
Net liabilities			<u>(335,743)</u>		<u>(190,927)</u>
Represented by:					
Loans and other debts due to members within one year					
Members' other interests					
Members' capital classified as equity		30,000		30,000	
Other reserves classified as equity		(365,743)		(220,927)	
		<u>(335,743)</u>		<u>(190,927)</u>	
			<u>(335,743)</u>		<u>(190,927)</u>
Total members' interests					
Members' other interests	11	(335,743)		(190,927)	
		<u>(335,743)</u>		<u>(190,927)</u>	

INVERCLYDE RENEWABLES LLP
REGISTERED NUMBER: SO304001

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2016

The financial statements have been prepared in accordance with the provisions applicable to entities subject to the small LLPs regime.

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 09/05/2017 by



Alan George Baker
on behalf of Inverclyde Windfarm Limited - Designated member

The notes on pages 9 to 14 form part of these financial statements.

INVERCLYDE RENEWABLES LLP

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Members capital (classified as equity)	Other reserves	Total equity
	£	£	£
At 1 January 2015	30,000	(119,873)	(89,873)
Comprehensive income for the year			
Loss for year for discretionary division among members	-	(101,054)	(101,054)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(101,054)	(101,054)
Total transactions with members	-	-	-
At 1 January 2016	30,000	(220,927)	(190,927)
Comprehensive income for the year			
Loss for year for discretionary division among members	-	(144,816)	(144,816)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(144,816)	(144,816)
Total transactions with members	-	-	-
At 31 December 2016	30,000	(365,743)	(335,743)

The notes on pages 9 to 14 form part of these financial statements.

INVERCLYDE RENEWABLES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The Company financial statements are prepared for Inverclyde Renewables LLP for the year ended 31 December 2016. The financial statements are presented in Pound Sterling, the presentation and functional currency of the LLP with figures rounded to the nearest pound. The LLP is registered in the United Kingdom.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. There are no material departures from these standards.

The financial statements have been prepared on the going concern basis, which assumes that the LLP will continue in operational existence for the foreseeable future.

The Members believe that the LLP will be in a position to meet its financial obligations as they fall due where reliance can be called upon from the parent if necessary.

The Members confirm that they have complied with the requirements of the Companies Act 2006. Based on the assessment they have made of the LLP's financial situation, they have concluded they have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the accounts.

1.2 Exemptions under FRS102

In preparing the separate financial statements of the Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the Company; and,
- Disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

Refer to Note 13 for more information on where to obtain a copy of the Group accounts.

1.3 Interest payable

Interest payable is recognised in the income statement as it accrues. Interest expenditure relates to loans from other group entities.

INVERCLYDE RENEWABLES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.4 Project in development

Costs which are directly attributable to the development of potential windfarm sites, and which have a reasonable expectation of obtaining the consents required for constructing a windfarm, and to the extent that those costs do not exceed expected recoverable amounts, are treated as work in progress and not expensed. The main aspects to address during the initial development stage of a windfarm are environmental impact assessments, planning consent and early grid connection analyses (including feasibility and applications). Once a site has achieved planning consent, the preconstruction stage begins and consists of the selection of appropriate turbines, the completion of designs for the layout of the site (both civil and electrical) and the grid connection. All contracts required for the supply of electricity are also completed. At the same time, negotiations take place with lenders to arrange financing of the windfarm.

By the end of these phases, the windfarm will reach financial close and construction can begin, with the assets then classified as assets in construction.

Development costs are capitalised using management's assessment of the likelihood of a successful outcome from each project. Should the windfarm not reach financial close any capitalised development costs would be expensed.

1.5 Current and deferred taxation

Tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except that a change attributable to an item of income or 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.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for in respect of all timing differences that have originated but not reversed by balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
Current and deferred tax balances are not discounted.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the difference 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.

1.6 Capitalisation of finance costs and interest expense

Interest is capitalised gross of related tax relief and before any effective interest method calculation adjustments during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income in the year in which it is incurred.

INVERCLYDE RENEWABLES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

In preparing these financial statements, the directors have made the following judgements

- There are not considered to be any indicators of impairment of the company's tangible assets, including Project in development. Factors taken into consideration in reaching such a decision include economic viability and expected future financial performance of the asset.
- Going concern – refer to note 1.1 Basis of preparation.

3. Auditors' remuneration

	2016 £	2015 £
Fees payable to the LLP's auditor and its associates for the audit of the LLP's annual financial statements	<u>3,207</u>	<u>3,160</u>

4. Staff costs

The LLP had no employees during the year (2015: Nil). No remuneration or pension was paid to the Members for their services to the LLP during the year (2015: £Nil). The Members of the LLP receive remuneration from a separate limited LLP.

5. Information in relation to members

	2016 £	2015 £
Paid under the terms of the LLP agreement	144,816	101,054
	<u>144,816</u>	<u>101,054</u>

6. Interest payable and similar charges

	2016 £	2015 £
Interest payable to members	133,540	93,007
	<u>133,540</u>	<u>93,007</u>

INVERCLYDE RENEWABLES LLP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. Taxation

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2016 nor for the year ended 31 December 2015.

	2016 £	2015 £
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2015 - *the same as*) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%) as set out below:

	2016 £	2015 £
Loss on ordinary activities before tax	<u>(144,816)</u>	<u>(101,054)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(28,963)	(20,463)

Effects of:

Expenses not deductible for tax purposes	28,963	20,463
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Finance (No 2) Act 2015 included legislation to reduce the main rate of corporation tax in the UK from 20% to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. As these changes were substantively enacted during 2015, they were reflected in the tax charge for the year.

The phased reduction to the main rate of UK corporation tax is expected to have an impact on the future income statement tax charge of the LLP as a lower tax rate is applied to taxable profits, and deferred tax assets and liabilities are adjusted to reflect their reversal at a lower rate of corporation tax.

Deferred Tax

The LLP has an unrecognised deferred tax asset of £Nil (2015: £Nil) in respect of tax losses carried forward. This asset has not been recognised as there is insufficient certainty as to its recoverability against future trading profits

INVERCLYDE RENEWABLES LLP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. Project in development

	2016 £	2015 £
Opening balance	1,352,729	1,070,526
Additions during the year	451,491	282,203
	<u>1,804,220</u>	<u>1,352,729</u>

9. Debtors: Amounts falling due within one year

	2016 £	2015 £
Other debtors	25,452	36,003
	<u>25,452</u>	<u>36,003</u>

10. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	-	8,433
Amounts loaned by Members	2,140,710	1,567,034
Other creditors	26,022	5,160
	<u>2,166,732</u>	<u>1,580,627</u>

Amounts loaned by Members of £2,140,710 (2015: £1,567,034) relate to a 8% (2015: 8%) interest-bearing loan that is unsecured and repayable on demand.

Bank overdraft is short term overdraft on the current account. It is unsecured and repayable on demand.

INVERCLYDE RENEWABLES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Reconciliation of members' interests

	EQUITY		
	Members' capital (classified as equity) £	Members' other interests Other reserves £	Total £
Balance at 31 December 2015	30,000	(220,927)	(190,927)
Loss for the year available for discretionary division among members	-	(144,816)	(144,816)
Members' interests after loss for the year	30,000	(365,743)	(335,743)
Balance at 31 December 2016	<u>30,000</u>	<u>(365,743)</u>	<u>(335,743)</u>

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests.

12. Related party transactions

The LLP has taken advantage of the exemptions provided by FRS 102 paragraph 33.1A and not disclosed the transactions with group undertakings where 100% of the voting rights are controlled within the group.

13. Ultimate parent undertaking and controlling party

The LLP's immediate parent undertaking is Inverclyde Windfarm Limited. The largest and smallest group of which the LLP is a member for which group financial statements are prepared is Velocita Energy Developments Limited. Copies of the financial statements of Velocita Energy Developments Limited can be obtained from the Company's registered office 17 Slingsby Place, London WC2E 9AB.

The LLP's ultimate parent undertaking and controlling party at the balance sheet date was R/C Europe Wind IP, LP a limited partnership established in the Cayman Islands.