Registration number: 07097280

Centrica (Lincs) Wind Farm Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

Centrica (Lincs) Wind Farm Limited

Contents

Centrica (Lincs) Wind Farm Limited

Strategic Report for the Year Ended 31 December 2016

The Directors present the Strategic Report of Centrica (Lincs) Wind Farm Limited ('the Company') for the year ended 31 December 2016.

Review of the business
The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

The principal activity of the Company is that of a holding company which holds a 50% interest in the ordinary share capital of Lincs Wind Farm Limited. Lincs Wind Farm Limited is a joint venture between the Company (50%) (the ultimate parent undertaking of which is Centrica plc) and Lincs Renewable Energy Holdings Limited (50%) (the ultimate parent undertakings of which are DONG Energy A/S and Siemens AG respectively).

During the year the Company recorded finance income from its loan to the joint venture and continued to receive cash payments from the joint venture in respect of interest accrued in previous years.

In 2015 Centrica plc group ('the Group') announced the intention to exit its interests in wind farm assets. Consequently during 2016 the Company developed plans to dispose of its investment in the Lincs Wind Farm Limited joint venture and progressed those plans with interested parties. As at 31 December 2016 the sale of the investment was considered extremely likely and as such the investment has been reclassified as a held for sale Current Asset in line with the requirements of International Financial Reporting Standard 5 'Non-current Assets Held for Sale and Discontinued Operations'.

On 17 February 2017 the Company completed the sale of its investment in Lincs Wind Farm Limited and this is considered to be an adjusting event after the reporting period in accordance with International Accounting Standard 10 'Events after the Reporting Period'. The transaction provided evidence that the value of the investment at the reporting date should be impaired, resulting in a charge of £25,582,000 being recorded in the income statement for 2016.

Principal risks and uncertainties
The Company's principal risks are being able to recover the carrying value of its investment and loan with Lincs Wind Farm Limited. In turn this risk is imparted by the availability of the wind farm and the sale of the related output by Lincs Wind Farm Limited. The availability is driven by the technical performance of the wind turbines, physical access to the wind farm and transmission system availability. These risks determine Lincs Wind Farm Limited's ability to generate positive cash flows to meet loan repayments and to pay dividends when appropriate.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 56-64 of the Annual Report and Accounts 2016 of the Group which does not form part of this report.

Exit from the European Union
The UK referendum vote in June 2016 to leave the European Union has added to the uncertainties faced by the business. However, we believe that the direct impact on the business of these events is limited in the short-term. Many details of the implementation process remain unclear. Extricating from the European Union treaties is a task of immense complexity but with that being said, the business is well-positioned to manage any market impacts. There are also potential tax consequences of the withdrawal agreement which we will continue to reassess (at each reporting date) to ensure our tax provisions reflect the most likely outcome following the withdrawal.

Key performance indicators
The Directors of the Centrica plc group use a number of key performance indicators to monitor progress against the Group's strategy. The development and performance of the Group, which includes the Company, are discussed on pages 18-19 of the Annual Report and Accounts 2016 of the Group which does not form part of this report.

Future developments
The Centrica plc group is continuing to implement the results of the 2015 strategic review. This implementation includes a review of how the Group's businesses are structured and may result in future changes to underlying subsidiary business operations including those of Centrica (Lincs) Wind Farm Limited.

Subsequent to the year-end, the Company successfully completed the sale of its 50% interest in the ordinary share capital of Lincs Wind Farm Limited. The details of this are discussed above in the review of the business.

Approved by the Board on 18 August 2017 and signed on its behalf by:

J. ELLIOT

By order of the Board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 07097280

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica (Lincs) Wind Farm Limited

Directors' Report for the Year Ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

Directors
The following served as Directors during the year and up to the date of signing this report:

M R Futyan (appointed 28 February 2017)

R W Marsden

R M McCord

S P Redfern (resigned 28 February 2017)

Results and dividends
The results of the Company are set out on page 8. The loss for the financial year ended 31 December 2016 is £(17,746,000) (2015: profit £10,395,000). No dividends were paid during the year (2015: £nil) and the Directors do not recommend the payment of a final dividend (2015: £nil).

Financial position
The financial position of the Company is presented in the statement of financial position on page 10. Total equity at 31 December 2016 was £47,555,000 (2015: £65,301,000).

Financial risk management
The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business:

- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits.
- Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly.
- Liquidity risk is managed through funding arrangements with Centrica plc group companies.
- At each reporting date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment.

The Company did not take part in hedging of any kind during the year (2015: £nil).

Future developments
Future developments are discussed in the Strategic Report on page 2.

Going concern
The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were approved.

Post balance sheet events
Post balance sheet events are detailed in note 12 of the financial statements.

Directors' and officers' liability
Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Strategic Report, 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Disclosure of information to the auditors
Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors
Following a rigorous selection by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing from 1 January 2017 (subject to ratification of their appointment at the Centrica plc 2017 AGM). Consequently, PricewaterhouseCoopers LLP will remain auditors of Centrica (Lincs) Wind Farm Limited until the formal resignation process has been completed later in 2017, after which Deloitte LLP will be appointed as auditors of Centrica (Lincs) Wind Farm Limited.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office, until the formal resignation process has been completed.

Centrica (Lincs) Wind Farm Limited

Directors' Report for the Year Ended 31 December 2016 (continued)

Approved by the Board on 18 August 2017 and signed on its behalf by:

J. ELLIOT

By order of the Board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 07097280

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica (Lincs) Wind Farm Limited

Independent Auditors' Report to the Members of Centrica (Lincs) Wind Farm Limited

Report on the financial statements

Our opinion
In our opinion, Centrica (Lincs) Wind Farm Limited's financial statements (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 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.

What we have audited
The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of Centrica (Lincs) Wind Farm Limited (continued)

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Stuart Macdougall
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date:....18...... August 2017

Centrica (Lincs) Wind Farm Limited

Income Statement for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Administrative expenses	5	(1,357)	(7)
Exceptional item - impairment of investment in joint venture	7	(25,582)	-
Operating loss		(26,939)	(7)
Finance income	9	11,694	14,329
Finance costs	10	(212)	(287)
Net finance income		11,482	14,042
(Loss)/profit before taxation		(15,457)	14,035
Income tax expense	11	(2,289)	(3,640)
(Loss)/profit for the financial year		(17,746)	10,395

The notes on pages 12 to 21 form an integral part of these financial statements.

Centrica (Lincs) Wind Farm Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	2016 £ 000	2015 £ 000
(Loss)/profit for the financial year	(17,746)	10,395
Total comprehensive (loss)/income for the year	(17,746)	10,395

The notes on pages 12 to 21 form an integral part of these financial statements.

Centrica (Lincs) Wind Farm Limited

Statement of Financial Position as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Non-current assets			
Investments	12	-	288,532
Current assets			
Assets held for sale	13	219,644	-
Total assets		219,644	288,532
Current liabilities			
Trade and other payables	14	(141,471)	(164,642)
Borrowings	15	(30,618)	(58,589)
Total liabilities		(172,089)	(223,231)
Net assets		47,555	65,301
Equity			
Called up share capital	16	1,000	1,000
Share premium account		997	997
Retained earnings		45,558	63,304
Total equity		47,555	65,301

The financial statements on pages 8 to 21 were approved and authorised for issue by the Board of Directors on 18 August 2017 and signed on its behalf by:

Richard McCord

R M McCord
Director

Registered number: 07097280

Centrica (Lincs) Wind Farm Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2016	1,000	997	63,304	65,301
Loss for the financial year	-	-	(17,746)	(17,746)
Total comprehensive loss for the year	-	-	(17,746)	(17,746)
At 31 December 2016	1,000	997	45,558	47,555

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2015	1,000	997	52,909	54,906
Profit for the financial year	-	-	10,395	10,395
Total comprehensive income for the year	-	-	10,395	10,395
At 31 December 2015	1,000	997	63,304	65,301

1 General information

Centrica (Lincs) Wind Farm Limited (the 'Company') is a company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office and principle place of business is:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

These Financial Statements were authorised for issue by the Board on 18 August 2017.

2 Accounting policies

Basis of preparation

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements are presented in pound sterling, which is also the functional currency of the Company, with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements are prepared on the historical cost basis.

Summary of disclosure exemptions

The Company is exempt under IAS 28 from equity accounting its interest in the joint venture. These financial statements present information about the Company as an individual undertaking and not about its group, and have been prepared on a going concern basis, as described in the Directors' Report.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of providing the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- comparative period reconciliations for share capital;
- disclosures in respect of related party transactions with fellow wholly-owned subsidiaries;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRSs.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Centrica plc. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after these financial statements are signed.

2 Accounting policies (continued)

Exemption from preparing group financial statements
The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly-owned subsidiary of Centrica plc. These financial statements present information about the Company as an individual undertaking and not about its group, and have been prepared on a going concern basis, as described in the Directors' Report.

Summary of significant accounting policies and key accounting estimates
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.

Financial assets and liabilities
Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

The carrying amounts of the Company's financial assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The impairment loss is recognised in the income statement. If an impairment loss recognised in prior periods decreases as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss will be reversed, with the amount of the reversal recognised in the income statement.

Interest in joint arrangements and associates
Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments consist of an equity interest in, and loans to, the joint venture. The Company's joint venture is accounted for at cost in accordance with IAS 27, less any provision for impairment as necessary.

Loans receivable from the joint venture are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the loan. They are subsequently carried at amortised cost using the effective interest rate method less any allowance for estimated impairments. A provision is established for impairments where there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan, with the cost recognised in the income statement.

Interest income on the loan to the joint venture is recognised on the basis of the effective interest rate method and is included as finance income within the income statement.

Finance income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

2 Accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ('CGU').

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. Items which may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings, significant onerous contract charges and asset write-downs/impairments.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest rate method (although, in practice, the discount is often immaterial). If payment is due within one year or less payables are classified as current liabilities. If not, they are presented as non-current liabilities.

Loans and other borrowings

All interest-bearing or interest-free loans and other borrowings with banks or similar institutions, Group companies and joint ventures are initially recognised at fair value net of directly attributable transaction costs (if any, in respect of Group funding). After initial recognition, these financial instruments are measured at amortised cost using the effective interest rate method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the income statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

2 Accounting policies (continued)

Taxation
The tax expense for the period comprises current tax. Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future, against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences arising on subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3 Critical accounting judgements and key sources of estimation uncertainty

The Company reviews the carrying amount of its investment in the joint venture, as well as the related receivables, for indicators of impairment and tests for impairment where such an indicator arises.

An impairment charge has been recognised in 2016, as described in note 7.

4 Directors' remuneration

The emoluments of all of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Centrica plc subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements (2015: £nil).

5 Administrative expenses

	2016 £ 000	2015 £ 000
Costs associated with the sale of investments	1,321	-
Other operating costs	36	7
Total operating costs	1,357	7

6 Employees information

The Company has no employees and no staff costs (2015: £nil). Any costs relating to employees are borne by other Centrica group companies.

7 Exceptional items

The following exceptional items were recognised in arriving at operating profit of the reporting period:

	2016 £ 000	2015 £ 000
Impairment charges	25,582	-

On 17 February 2017 the Company completed the sale of its investment in the Lincs Wind Farm Limited joint venture and this is considered to be an adjusting event after the reporting period in accordance with International Accounting Standard 10 'Events after the Reporting Period' as the transaction provided evidence of conditions that existed at the reporting date. On completion the Company realised a loss on the sale of shares, together with costs incurred in order to realise the value for the investment. Based on this information, the value of the investment in share capital at the reporting date has been impaired by £25,582,000.

8 Auditors' remuneration

Auditors' remuneration was £18,000 (2015: £7,000) related to fees for the audit of the statutory financial statements of Centrica (Lincs) Wind Farm Limited and the audit of Group schedules, together with £nil (2015: £nil) in respect of non-audit fees.

9 Finance income

	2016 £ 000	2015 £ 000
Interest receivable from joint venture	11,694	14,329

10 Finance cost

	2016 £ 000	2015 £ 000
Interest payable to joint venture	212	287

11 Income tax

Tax expense included in the income statement:

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax on profits for the year	2,289	2,842
UK corporation tax adjustment to prior periods	-	798
Total current tax	2,289	3,640
Deferred taxation		
Total deferred tax	-	-
Tax on profit on ordinary activities	2,289	3,640

Tax expense for the year differs (2015: differs) from the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	2016 £ 000	2015 £ 000
(Loss)/profit before tax	(15,457)	14,035
Tax expense at the standard UK corporation tax rate of 20% (2015: 20.25%)	(3,091)	2,842
Effects of:		
Expenses not deductible for tax purposes	5,380	-
Increase in current tax from adjustment for prior periods	-	798
Decrease from transfer pricing adjustments	(978)	(919)
Increase arising from group relief tax reconciliation	978	919
Total income tax expense	2,289	3,640

The main rate of corporation tax for the year to 31 December 2016 was 20%. The corporation tax rate will reduce to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020 following the enactment of Finance (No. 2) Act 2015 and Finance Act 2016 respectively. These enacted rates have been reflected in these financial statements when providing for deferred tax.

12 Investments

	Investment in joint venture £ 000	Loan to joint venture £ 000	Total £ 000
Cost			
At 1 January 2016	126,405	162,127	288,532
Additions	-	11,694	11,694
Repayment	-	(55,000)	(55,000)
Transfer to assets held for sale (note 13)	(126,405)	(118,821)	(245,226)
At 31 December 2016	-	-	-
Provision			
At 1 January 2016	-	-	-
Impairments provided in the year	(25,582)	-	(25,582)
Transfer to assets held for sale (note 13)	25,582	-	25,582
At 31 December 2016	-	-	-
Net book values			
At 31 December 2016	-	-	-
At 31 December 2015	126,405	162,127	288,532

The investment in the joint venture represents a 50% interest in the ordinary share capital of Lincs Wind Farm Limited, a company registered in Scotland which operates an offshore wind farm in England. The remaining shares in Lincs Wind Farm Limited were controlled by Lincs Renewable Energy Holdings Limited, a company registered in England and Wales. Lincs Renewable Energy Holdings Limited is a joint venture between DONG Energy Lincs (UK) Limited (50%), a company registered in England and Wales, and Siemens Project Ventures GmbH (50%), a company registered in Germany (the ultimate parent undertakings of which are DONG Energy A/S and Siemens AG respectively).

At 1 January 2016 the principal amounts of the loans from the Company to Lincs Wind Farm Limited totalled £112,500,000 and the unpaid interest totalled £49,627,000. The loans bear interest of 9% per annum, compounding half-yearly, are unsecured and are repayable in full on 31 December 2030 or before as agreed between the joint venture partners.

In 2016 interest income of £11,694,000 (2015: £14,329,000) was recorded on the outstanding balances and interest of £55,000,000 (2015: £12,501,000) was repaid by Lincs Wind Farm Limited. The cumulative interest outstanding at 31 December 2016 was £6,321,000 (2015: £49,627,000). No principal repayments were made in the year.

12 Investments (continued)

On 17 February 2017 the Company completed the sale of its entire 50% investment in Lincs Wind Farm Limited and this is considered to be an adjusting event in accordance with International Accounting Standard 10 'Events after the Reporting Period' as the transaction provided evidence of conditions that existed at the reporting date.

On completion the Company received proceeds that fully settled the loan principal and all interest accrued up to the date of completion and also received proceeds of £103,562,000 for the sale of shares. Further, it was been identified that costs of approximately £2,739,000 would need to be incurred in 2017 in order to realise this value for the investment. Based on this information, the value of the investment in share capital at the reporting date has been impaired by the combined £25,582,000 and this charge has been recorded in the income statement for 2016.

As at 31 December 2016 the sale of the investment was considered extremely likely and as such the net investment value has been reclassified as a held for sale current asset investment in line with the requirements of International Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations".

Lincs Wind Farm Limited made a loss after taxation of £21,943,000 in the year ended 31 December 2016 (2015: loss of £10,880,000). The total equity of Lincs Wind Farm Limited at 31 December 2016 was £112,462,000 (2015: £149,459,000).

As part of the external financing arrangement entered into by Lincs Wind Farm Limited, the Company, together with Lincs Renewable Energy Holdings Limited, has agreed to provide security as follows:

- an assignment of rights under all Shareholder Loans;
- the pledge of shares in Lincs Wind Farm Limited in favour of Lloyds Bank plc as security trustee for the consortium of lenders; and
- a floating charge over shares held in Lincs Wind Farm Limited in favour of Lloyds Bank plc as security trustee for the consortium of lenders.

13 Assets held for sale

	2016 £ 000
At 1 January 2016	-
Transfer from non-current investments (note 12)	219,644
At 31 December 2016	219,644

The held for sale investment is the 50% joint venture interest in the ordinary share capital of Lincs Wind Farm Limited, a company registered in Scotland which operates an offshore wind farm in England. As at 31 December 2016 the sale of the investment was considered highly probable and as such the total investment value was reclassified from non-current assets into Assets held for sale in line with the requirements of International Financial Reporting Standard 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

14 Trade and other payables

	2016 £ 000	2015 £ 000
Amounts owed to group undertakings	140,823	164,635
Accrued expenses	648	7
	141,471	164,642

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Borrowings

	2016 £ 000	2015 £ 000
Current borrowings		
Loans from joint venture	30,618	58,589

The loans from the joint venture mature within one month, but are repayable on demand and may be redeemed by the Company at any time. Interest is charged on these loans at LIBOR.

16 Called up share capital

Allotted, called up and fully paid shares

	2016		2015	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

17 Related party transactions

At 31 December 2016 the loans from the Company to Lincs Wind Farm Limited totalled £112,500,000 (2015: £112,500,000). The loans are unsecured, bear interest of 9% per annum and are repayable in full on 31 December 2030 or before as agreed between the joint venture partners. During the year interest of £11,694,000 (2015: £14,329,000) was charged on these loans and interest of £55,000,000 (2015: £12,501,000) was repaid. The cumulative interest outstanding at 31 December 2016 was £6,321,000 (2015: £49,627,000). Full details are included in note 12.

Lincs Wind Farm Limited also provides loans to the Company. During the year Lincs Wind Farm Limited provided further loans totalling £1,308,000 to the Company and the Company repaid loans totalling £(29,279,000). At 31 December 2016 the loans outstanding totalled £30,618,000 (2015: £58,589,000). The loans from the joint venture mature within one month, but are repayable on demand and may be redeemed by the Company at any time. Interest is charged on these loans at LIBOR. During the year interest of £212,000 (2015: £287,000) was incurred on these loans.

18 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Centrica Renewable Energy Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.

19 Events after the financial year

On 17 February 2017 the Company completed the sale of its investment in the Lincs Wind Farm Limited joint venture and this is considered to be an adjusting event after the reporting period in accordance with International Accounting Standard 10 'Events after the Reporting Period'. On completion the Company realised a loss on the sale of shares, together with costs incurred in order to realise the value for the investment. The transaction provided evidence that the value of the investment at the reporting date should be impaired. Further details are included in note 7 and note 12.