

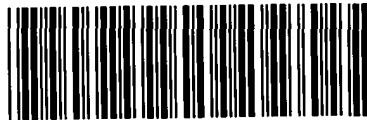
Registration number: 07097280

Centrica (Lincs) Wind Farm Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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Centrica (Lincs) Wind Farm Limited

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Centrica (Lincs) Wind Farm Limited

Strategic Report for the Year Ended 31 December 2017

The Directors present the Strategic Report for Centrica (Lincs) Wind Farm Limited (the 'Company') for the year ended 31 December 2017.

Principal activity

The principal activity of the Company is that of a holding company. Until 17 February 2017 the Company held a 50% interest in the ordinary share capital of Lincs Wind Farm Limited. Lincs Wind Farm Limited was a joint venture between the Company (50%), together with Siemens AG group (25%) and Ørsted A/S group (25%).

Review of the business

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

In 2016 the investment in Lincs Wind Farm Limited was presented as a Held for Sale asset and impaired to write down the carrying value to equal the estimated value on disposal, being the expected proceeds, net of £(2,739,000) costs anticipated in order to realise the value of the investment.

Up to 17 February 2017 the Company recorded finance income from its loan to Lincs Wind Farm Limited and received cash payments from the joint venture in respect of interest accrued in previous years.

On 17 February 2017, the Company and Siemens AG group agreed to sell their respective shareholdings in Lincs Wind Farm Limited to UK Green Investment Lyle Limited (31%) and Lyle JV Holdings Limited (44%). On completion, the shareholder loan (£112,500,000) and outstanding interest accrued up to the date of completion (£7,727,000) were repaid in full. The Company also received proceeds of £103,562,000 for the sale of shares and incurred costs of £(2,810,000) in order to realise this value for the investment. These costs were £(71,000) higher than the amounts previously recognised and these additional costs have been recorded in the 2017 income statement.

Principal risks and uncertainties

Risks are formally reviewed and appropriate processes are put in place to monitor and mitigate them. Until 17 February 2017, the Company's principal risks were being able to recover the carrying value of its investment and loan with Lincs Wind Farm Limited.

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group ('the Group') and are not managed separately. The principal risk and uncertainties of the Group, which include those of the Company, are disclosed on pages 52-62 of the Group's Annual Report and Accounts 2017, 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 risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. Many details of the implementation process continue to remain unclear. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

Key performance indicators ('KPIs')

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 30-31 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

Centrica (Lincs) Wind Farm Limited

Strategic Report for the Year Ended 31 December 2017 (continued)

Future developments

The Group continues 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 the Company.

The Directors are considering the future activities of the Company in light of the strategic review including opportunities for future investments.

Approved by the Board on ~~2 AUGUST 2018~~ and signed on its behalf by:



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 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Directors of the Company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

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 9. The profit for the financial year ended 31 December 2017 is £6,667,000 (2016: loss £(17,746,000)). No dividends were paid during the year (2016: £nil) and the Directors do not recommend the payment of a final dividend (2016: £nil).

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 (2016: £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, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements were authorised for issue.

Events after the reporting period

There were no events after the reporting period that have a material effect on 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. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Centrica (Lincs) Wind Farm Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101 have 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.

Centrica (Lincs) Wind Farm Limited

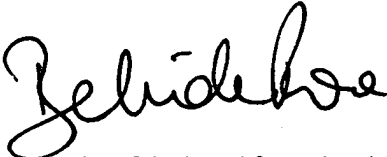
Directors' Report for the Year Ended 31 December 2017 (continued)

Auditors

Following a rigorous selection process by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing 1 January 2017. Consequently, PricewaterhouseCoopers LLP ('PwC') ceased to hold office as auditor of the Company in 2017. Pursuant to Section 519 of the Companies Act 2006, PwC has confirmed that there are no circumstances in connection with their ceasing to hold office that need to be brought to the attention of the members or creditors of the Company.

Following the resignation of PwC as auditors of the Company and, pursuant to Section 487 of the Companies Act 2006, Deloitte LLP were appointed as auditors of the Company.

Approved by the Board on ~~2 AUGUST 2018~~ and signed on its behalf by:



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 audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Centrica (Lincs) Wind Farm Limited which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 (United Kingdom Generally Accepted Accounting Practice).

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 Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 are required by ISAs (UK) to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Centrica (Lincs) Wind Farm Limited

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, 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.

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 auditor's 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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.

Centrica (Lincs) Wind Farm Limited

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

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Anthony Matthews FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

Date: 2 August 2018

Centrica (Lincs) Wind Farm Limited

Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Administrative expenses	5	(84)	(1,357)
Exceptional item - impairment of investment in joint venture	7	<u>-</u>	<u>(25,582)</u>
Operating loss		<u>(84)</u>	<u>(26,939)</u>
Finance income	9	8,402	11,694
Finance costs	10	<u>(8)</u>	<u>(212)</u>
Net finance income		<u>8,394</u>	<u>11,482</u>
Profit/(loss) before taxation		8,310	(15,457)
Income tax expense	11	<u>(1,643)</u>	<u>(2,289)</u>
Profit/(loss) for the financial year		<u><u>6,667</u></u>	<u><u>(17,746)</u></u>

There were no recognised gains and losses in either period other than those shown above and accordingly no separate statement of comprehensive income has been included in the financial statements.

Centrica (Lincs) Wind Farm Limited

Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Current assets			
Trade and other receivables	12	55,846	-
Assets held for sale	13	-	219,644
Total assets		<u>55,846</u>	<u>219,644</u>
Current liabilities			
Trade and other payables	14	(11)	(141,471)
Current tax liabilities		(1,613)	-
Borrowings	15	-	(30,618)
Total liabilities		<u>(1,624)</u>	<u>(172,089)</u>
Net assets		<u>54,222</u>	<u>47,555</u>
Equity			
Called up share capital	16	1,000	1,000
Share premium account		997	997
Retained earnings		52,225	45,558
Total equity		<u>54,222</u>	<u>47,555</u>

The financial statements on pages 9 to 20 were approved and authorised for issue by the Board of Directors on 21 AUGUST 2018 and signed on its behalf by:



R M McCord
Director

Company number: 07097280

Centrica (Lincs) Wind Farm Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	<u>1,000</u>	<u>997</u>	<u>45,558</u>	<u>47,555</u>
Profit for the financial year	<u>-</u>	<u>-</u>	<u>6,667</u>	<u>6,667</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>6,667</u>	<u>6,667</u>
At 31 December 2017	<u><u>1,000</u></u>	<u><u>997</u></u>	<u><u>52,225</u></u>	<u><u>54,222</u></u>

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

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

Centrica (Lincs) Wind Farm Limited (the 'Company') is a private company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales.

The registered office and principle place of business is:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

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.

From 1 January 2017, the following amendments are effective in the Company's financial statements. Their first time adoption did not have a material impact on the financial statements:

- Amendments to IAS 12: 'Income taxes' related to the recognition of deferred tax assets for unrealised losses.

Summary of disclosure exemptions

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

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Measurement convention

The financial statements have been prepared on the historical cost basis except for: available for sale financial assets that have been measured at fair value.

Going concern

The financial statements have been prepared using the going concern basis of accounting. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after these financial statements are signed.

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.

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.

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

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.

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 ('CGU') 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 CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

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 profit or loss. An impairment loss in respect of goodwill shall not be reversed in a subsequent period. 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.

The Company provides for impairments of financial assets when there is objective evidence of impairment as a result of events that impact the estimated future cash flows of the financial assets.

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. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the income statement. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contract charges and asset write-downs/impairments.

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

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 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 and interest free loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost using the effective interest 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 Company's Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

Taxation

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 equity. In this case, the tax is recognised in equity.

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 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 is provided on temporary differences arising on investments in 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.

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

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 Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the Directors' opinion there are no critical judgements, apart from those involving estimations (which are dealt with separately below).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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 (2016: £nil).

5 Administrative expenses

	2017 £ 000	2016 £ 000
Costs associated with the sale of investments	71	1,321
Other operating costs	13	36
Total operating costs	84	1,357

6 Employees information

The Company has no employees and no staff costs (2016: £nil). Any costs relating to employees are borne by other Centrica group companies.

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

7 Exceptional items

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

	2017 £ 000	2016 £ 000
Impairment charges	<u>-</u>	<u>25,582</u>

On 17 February 2017 the Company completed the sale of its investment in the Lincs Wind Farm Limited joint venture. In the prior year this was considered to be an adjusting event after the reporting period in accordance with International Accounting Standard 10 'Events after the Reporting Period', resulting in an impairment to the value of the investment in share capital of £25,582,000.

8 Auditors' remuneration

Auditors' remuneration was £5,000 (2016: £20,000). Auditors' remuneration relates to fees for the audit of the financial statements of the Company. The prior year audit fee includes both the fee for the statutory audit of the financial statements and an allocation of the audit fee for the Group's consolidated financial statements.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group financial statements of its ultimate parent, Centrica plc.

9 Finance income

	2017 £ 000	2016 £ 000
Interest income from amounts owed by group undertakings	6,996	-
Interest receivable from joint venture	<u>1,406</u>	<u>11,694</u>
Total finance income	<u>8,402</u>	<u>11,694</u>

10 Finance cost

	2017 £ 000	2016 £ 000
Interest payable to joint venture	<u>8</u>	<u>212</u>

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Income tax

Tax expense included in the income statement:

	2017 £ 000	2016 £ 000
Current tax		
UK corporation tax	1,613	2,289
UK corporation tax adjustment to prior periods	<u>30</u>	<u>-</u>
Total current tax	<u><u>1,643</u></u>	<u><u>2,289</u></u>

The main rate of corporation tax for the year to 31 December 2017 was 19.25% (2016: 20%). The corporation tax rate will reduce to 17% with effect from 1 April 2020 following the enactment of Finance Act 2016. The deferred tax assets and liabilities included in these financial statements are based on the reduced rate of 17% having regard to their reversal profiles.

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax to the profit before tax are reconciled below:

	2017 £ 000	2016 £ 000
Profit/(loss) before tax	<u>8,310</u>	<u>(15,457)</u>
Tax on profit/(loss) at standard UK corporation tax rate of 19.25% (2016: 20.00%)	1,600	(3,091)
Effects of:		
Expenses not deductible for tax purposes	14	5,380
Decrease from transfer pricing adjustments	(1,100)	(978)
Increase arising from group relief tax reconciliation	1,100	978
Increase in current tax from adjustment for prior periods	<u>30</u>	<u>-</u>
Total current tax	<u><u>1,644</u></u>	<u><u>2,289</u></u>

12 Trade and other receivables

	2017 £ 000	2016 £ 000
Amounts owed by Group undertakings	<u>55,846</u>	<u>-</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £224m (2016: £nil) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.66% and 3.86% per annum during 2017. The remaining amount is payable to Group Undertakings of £(168)m (2016: payable of £(141)m presented within note 14 Trade and other payables), which is interest free. All amounts owed by Group undertakings are unsecured and repayable on demand.

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Assets held for sale

	2017 £ 000
At 1 January 2017	219,644
Interest on Shareholder loan	1,406
Disposals	<u>(221,050)</u>
At 31 December 2017	<u><u>-</u></u>

The held for sale investment was 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. In 2016 this investment was impaired to write-down the carrying value to be the amounts expected to be received, comprising shareholder loans £112,500,000, accrued interest £6,321,000 and expected sale proceeds of £103,562,000 less expected costs of £(2,739,000) required in order to realise the value of the investment.

In 2017 the investment increased for additional interest income of £1,406,000 receivable on the shareholder loans up to the date of disposal. The loans bore interest of 9% per annum, compounding half-yearly, were unsecured and were repayable in full on 31 December 2030 or before as agreed between the joint venture partners.

On 17 February 2017 the Company completed the sale of its entire 50% investment in Lincs Wind Farm Limited. On completion, the shareholder loan (£112,500,000) and outstanding interest accrued up to the date of completion (£7,727,000) were repaid in full. The Company also received proceeds of £103,562,000 for the sale of shares and incurred costs of £(2,810,000) in order to realise this value for the investment. These costs were £(71,000) higher than the amounts previously recognised and these additional costs have been recorded in the 2017 income statement.

14 Trade and other payables

	2017 £ 000	2016 £ 000
Amounts owed to Group undertakings	-	140,823
Accrued expenses	<u>11</u>	<u>648</u>
	<u><u>11</u></u>	<u><u>141,471</u></u>

Amounts owed to Group undertakings were unsecured, interest free, had no fixed date of repayment and were repayable on demand.

15 Borrowings

	2017 £ 000	2016 £ 000
Current borrowings		
Loans from joint venture	<u>-</u>	<u>30,618</u>

Centrica (Lincs) Wind Farm Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

15 Borrowings (continued)

The loans from the joint venture were repaid in full in the year. The loans matured within one month, but were repayable on demand and could be redeemed by the Company at any time. Interest was charged on these loans at LIBOR.

16 Called up share capital

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

17 Related party transactions

Lincs Wind Farm Limited was considered to be a related party for the period up to 17 February 2017 at which point the Company disposed of its investment.

The Company provided Shareholder loans to Lincs Wind Farm Limited. The loans were unsecured, bore interest of 9% per annum and were repayable in full on 31 December 2030 or before as agreed between the joint venture partners. At 31 December 2017 the loans from the Company to Lincs Wind Farm Limited totalled £nil (2016: £112,500,000). During the year loans of £112,500,000 were repaid as part of the disposal of the Company's investment in Lincs Wind Farm Limited. Also, interest of £1,406,000 (2016: £11,694,000) was charged on these loans and interest of £7,727,000 was repaid (2016: interest repaid £55,000,000). The cumulative interest outstanding at 31 December 2017 was £nil (2016: £6,321,000).

Lincs Wind Farm Limited also provided loans to the Company that matured within one month, but were repayable on demand and could be redeemed by the Company at any time. Interest was charged on these loans at LIBOR. At 31 December 2017 the loans from Lincs Wind Farm Limited to the Company totalled £nil (2016: £(30,618,000)). During the year Lincs Wind Farm Limited provided further loans totalling £(8,000) to the Company and the Company repaid loans totalling £(30,626,000). Also, interest of £(8,000) (2016: £(212,000)) was incurred on these loans and repaid in the year.

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.