

BANKSRenewables

development with care

COMPANY REGISTRATION NUMBER: 05887286

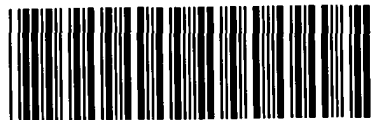
Banks Renewables (Marr Wind Farm) Limited

Financial Statements

30 September 2019



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Banks Renewables (Marr Wind Farm) Limited

Financial Statements

Year ended 30 September 2019

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Banks Renewables (Marr Wind Farm) Limited

Corporate Information

The board of directors	R J Dunkley S Fisher
Company secretary	D J Martin
Registered office	Inkerman House St John's Road Meadowfield Durham DH7 8XL
Independent auditor	PricewaterhouseCoopers LLP Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Bankers	Santander Bootle Merseyside L30 4GB

Banks Renewables (Marr Wind Farm) Limited

Strategic Report

Year ended 30 September 2019

The directors present the Strategic Report for the year ended 30 September 2019.

Review of the business

Marr Wind Farm is an onshore wind farm with four wind turbines each of 2 megawatt generating capacity. The company performed well in the year with wind speeds and equipment availability close to expected levels. A dividend of £nil (2018: £nil) has been paid.

Disappointingly, the Company's turbine maintenance supplier, Senvion, entered Self-Administration proceedings mid-year although has continued to trade well and provide good support to the Company's wind farms. Since the year end Senvion's maintenance business was acquired by Siemens Gamesa and the Directors believe that this will ensure that the long-term performance of the sites can be maintained.

The Company's key financial performance indicators for the year were:

	2019	2018
	£'000	£'000
Turnover	1,932	1,884
Operating profit	801	868
Profit/(loss) for the financial year	335	(686)

Future developments

No significant change in the company's business is anticipated.

Principal risks and uncertainties

The company's risk profile reflects the principal activities of the business, and is summarised below together with details of the steps taken to mitigate each major risk. The main risks facing the business are:

Safety

Given the nature of the company's activities in developing, constructing and operating the windfarm, the health and safety of employees, contractors and the general public is of paramount importance to the company. The company's policy is to adopt a systematic approach to health and safety management in order to create and maintain a safe working environment, and to comply with all relevant legal and regulatory requirements.

Financial

The main financial risk facing the company is ensuring that energy generated can be sold in the market. This risk is mitigated through the use of a long term power purchase agreement. Other financial risks include cash flow, liquidity and interest rate risks. These issues are dealt with in the directors' report.

Contractual

In the course of its normal trading activities the company has entered into a contract to provide energy to an electricity supply company operating in the UK energy market. This contract has been reviewed and approved from a legal, insurance and financial perspective to ensure that no undue contractual risk exposure is created for the company. Adequate and appropriate insurance cover is maintained at all times in respect of all activities undertaken by the company.

Banks Renewables (Marr Wind Farm) Limited

Strategic Report *(continued)*

Year ended 30 September 2019

Operational risk - UK withdrawal from the EU

There is uncertainty over the nature of the withdrawal of the UK from the European Union. If the withdrawal results in delays in obtaining component parts for the company's capital equipment then there could be reduced performance from the business if repairs to assets are delayed. The Company will continue to monitor this risk and liaise with its suppliers to minimise any impact resulting from it.

Going concern

Under Company Law, the directors are required to consider whether it is appropriate to prepare financial statements on the basis that the company is a going concern. As part of its normal business practice, cash flow forecasts, longer term financial projections and sensitivity analysis are prepared. In reviewing this information the Board has a reasonable expectation that, both in its own right and as part of the Banks Renewables (HMA Holdings) Limited group, the company and group has adequate resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements. See accounting policies for further details.

This report was approved by the board of directors on 5 February 2020 and signed by order of the board by:


D. J. Martin
Company Secretary

Banks Renewables (Marr Wind Farm) Limited

Directors' Report

Year ended 30 September 2019

The directors present their report and the audited Financial Statements of the company for the year ended 30 September 2019.

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 to set out in the Strategic Report the following which the directors believe to be of strategic importance:

- Review of the business
- Principal risks and uncertainties
- Future Developments

Principal activity

The principal activity of the company during the year was electricity generation.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

R J Dunkley
S Fisher

Dividends

The directors do not recommend the payment of a dividend (2018:£nil).

Banks Renewables (Marr Wind Farm) Limited

Directors' Report *(continued)*

Year ended 30 September 2019

Financial risk management

The company's financial instruments, comprise cash and cash equivalents and various items, such as trade debtors, and trade creditors, that arise directly from its operations. The main risks arising from the company's financial instruments are credit, liquidity and inflation rate risks. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit Risk

The company has entered into a contractual agreement with a client to provide electricity that it generates. It is company policy to investigate the credit worthiness of all customers prior to entering any contracts. In order to mitigate the credit risk, the directors of the company satisfy themselves of the customer's ability to fulfil their financial obligations under the contract on a regular basis and act swiftly in the event of any issues arising.

Liquidity Risk

The company's principal assets are financed by borrowings from an external bank. The liquidity risk for the company will be mitigated by maintaining sufficient available cash resources to meet its ongoing and expected needs. The directors expect that the wind farm will continue to generate sufficient cashflows to repay any debt obligations as they fall due.

Inflation Risk

The company borrowed money using financial assumptions that assume a certain level of inflation. The risk of inflation not meeting the rate assumed has been mitigated through the use of inflation rate hedges over a proportion of the company's income.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Banks Renewables (Marr Wind Farm) Limited

Directors' Report *(continued)*

Year ended 30 September 2019

Directors' responsibilities statement (continued)

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 auditor

So far as each person who was a director 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 its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP were appointed auditors of the Company during the year and have expressed their willingness to continue in office.

This report was approved by the board of directors on 5 February 2020 and signed by order of the board by:



D J Martin
Company Secretary

Company registration number: 05887286

Independent Auditor's Report to the Members of Banks Renewables (Marr Wind Farm) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Banks Renewables (Marr Wind Farm) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent Auditor's Report to the Members of Banks Renewables (Marr Wind Farm) Limited *(continued)*

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 30 September 2019 is consistent with the financial statements and has 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 did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Independent Auditor's Report to the Members of Banks Renewables (Marr Wind Farm) Limited *(continued)*

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

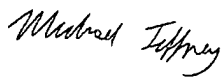
Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Michael Jeffrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
5 February 2020

Banks Renewables (Marr Wind Farm) Limited

Income Statement

Year ended 30 September 2019

	Note	2019 £'000	2018 £'000
Turnover	4	1,932	1,884
Cost of sales		(1,001)	(941)
Gross profit		<u>931</u>	<u>943</u>
Administrative expenses		(130)	(75)
Operating profit	5	801	868
Loss on financial assets at fair value through profit or loss	17	–	(1,065)
Finance income	7	–	3
Finance costs	8	(389)	(626)
Profit/(loss) before tax		412	(820)
Tax on profit/(loss)	9	(77)	134
Profit/(loss) for the financial year		<u><u>335</u></u>	<u><u>(686)</u></u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 25 form part of these Financial Statements.

Banks Renewables (Marr Wind Farm) Limited

Statement of Comprehensive Income

Year ended 30 September 2019

	2019	2018
	£'000	£'000
Profit/(loss) for the financial year	335	(686)
Movement on derivative financial instruments	(67)	994
Deferred tax on movement in derivative financial instruments	12	(169)
Other comprehensive expense/(income) for the year	(55)	825
Total comprehensive income for the year	280	139

The notes on pages 14 to 25 form part of these Financial Statements.

Banks Renewables (Marr Wind Farm) Limited

Statement of Financial Position

30 September 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	–	5
Tangible assets	11	6,915	7,480
		<u>6,915</u>	<u>7,485</u>
Current assets			
Debtors	12	497	290
Cash at bank and in hand		133	133
		<u>630</u>	<u>423</u>
Creditors: amounts falling due within one year	13	(6,798)	(7,591)
Net current liabilities		<u>(6,168)</u>	<u>(7,168)</u>
Total assets less current liabilities		747	317
Creditors: amounts falling due after more than one year	14	(233)	(166)
Provisions for liabilities	15	(363)	(280)
Net assets/ (liabilities)		<u>151</u>	<u>(129)</u>
Capital and reserves			
Called up share capital	18	–	–
Capital reserve	19	634	634
Hedging reserve	19	(193)	(138)
Profit and loss account	19	(290)	(625)
Total shareholders' funds/ (deficit)		<u>151</u>	<u>(129)</u>

These Financial Statements were approved by the board of directors and authorised for issue on 5 February 2020, and are signed on behalf of the board by:



S Fisher
Director

The notes on pages 14 to 25 form part of these Financial Statements.

Banks Renewables (Marr Wind Farm) Limited

Statement of Changes in Equity

Year ended 30 September 2019

	Called up share capital £'000	Capital reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2017	–	634	(963)	61	(268)
Loss for the financial year	–	–	–	(686)	(686)
Other comprehensive income/(expense) for the year:					
Movement on derivative financial instruments	–	–	994	–	994
Deferred tax on movement in derivative financial instruments	–	–	(169)	–	(169)
Total comprehensive income/(expense) for the year	–	–	825	(686)	139
At 30 September 2018	–	634	(138)	(625)	(129)
Profit for the financial year	–	–	–	335	335
Other comprehensive income/(expense) for the year:					
Movement on derivative financial instruments	–	–	(67)	–	(67)
Deferred tax on movement in derivative financial instruments	–	–	12	–	12
Total comprehensive income/(expense) for the year	–	–	(55)	335	280
At 30 September 2019	<u>–</u>	<u>634</u>	<u>(193)</u>	<u>(290)</u>	<u>151</u>

The notes on pages 14 to 25 form part of these Financial Statements.

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements

Year ended 30 September 2019

1. General information

Banks Renewables (Marr Wind Farm) Limited is a private company limited by shares, registered in England and Wales. The address of the registered office is Inkerman House, St John's Road, Meadowfield, Durham, DH7 8XL.

2. Statement of compliance

These Financial Statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The financial statements are prepared in GBP sterling which is the functional currency of the Group. All amounts are rounded to the nearest thousand unless otherwise stated.

(b) Disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirement of Section 11 Basic Financial Instruments paragraphs 11.41 to 11.48(c)
- the requirement of Section 33 Related Party Disclosure paragraphs 33.1A and 33.7

The Group in which the results of the Company are consolidated is Banks Renewables (HMA Holdings) Limited. Copies of Banks Renewables (HMA Holdings) Limited financial statements can be obtained from its registered office, Inkerman House, St. John's Road, Meadowfield, Durham, DH7 8XL.

(c) Capitalisation of finance costs and interest

Finance costs incurred on borrowing that specifically funded progress payments on assets under construction, principally wind turbines are capitalised up to the date of commissioning and included as part of the asset.

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

(d) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements and areas of uncertainty (apart from those involving estimates) could have the most significant effect on amounts recognised in the financial statements:

- Site restoration

Each area and its risks, are discussed in more detail in their individual accounting policies (see accounting policies on site restoration below).

(e) Debt issue costs

Costs incurred in connection with the issue of borrowings are deducted from the proceeds of such borrowings and released to the income statement over the term of the debt.

(f) Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be recognised:

Sale of electricity

Sale of electricity is recognised when electricity is transferred into the distribution network.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

(g) Non-interest bearing loans

Loans with no stated interest rate and payable after more than one year are recorded at amortised cost using the effective interest rate method.

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

(h) Fundamental accounting concept

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. At the statement of financial position date the company has net current liabilities of £6,168,000 (2018: £7,167,000) and shareholder's funds of £151,000 (2018: £129,000 deficit). There are risks that the directors consider in deciding to prepare the financial statements on a going concern basis such as operating and pricing risks. The directors have considered the underlying strength of the operations and economics of the wind farm and the economic strength of the Banks Renewables (HMA Holdings) Limited Group and thus the ability of the business to meet its ongoing obligations and of the Group to provide the necessary ongoing financial facilities to the company to support its operations. The directors have satisfied themselves that Banks Renewables (HMA Holdings) Limited Group will provide the necessary level of ongoing financial support if required. Accordingly, the directors are satisfied that it is appropriate for the going concern basis to be used in preparing these financial statements.

(i) Taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less tax. Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the statement of financial position.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

(j) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction or if hedged, at the rate of exchange under the related forward currency contract. Exchange differences are taken into account in arriving at the operating result.

(k) Leasing contracts

Costs of acquiring operating leases are added to fixed assets as they accrue. Rentals payable under operating leases are charged to the income statement as they accrue. Contingent rentals are recognised in the period when they accrue.

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

(l) Intangible assets

Amortisation is provided on a straight line basis to write off the cost of the asset over the length of the Power Purchasing Agreement which is 8 years commencing from the date of commissioning the wind turbines.

(m) Tangible fixed assets

Depreciation is provided on a straight line basis at rates to write off the cost of assets over their estimated useful lives commencing from the date of commissioning. There are:

Plant and machinery	20 years
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(n) Cash flow statement

The company is a wholly owned subsidiary of Banks Renewables (HMA Finance) Limited and is included in the consolidated financial statements of Banks Renewables (HMA Holdings) Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a Statement of Cash Flows under the terms of FRS 102, section 7.

(o) Site restoration

An obligation to incur restoration costs arises when environmental disturbance occurs on the commencement of site operations at a wind farm. The estimated present value of the cost of restoring the site at the end of production is provided as the obligation arises and capitalised as wind farm assets. These costs are charged to the income statement on a straight line basis to write off the cost over the estimated operational period of the wind farm.

The key area of estimation required for site restoration relates to the amount and timing of cash flows required to undertake the remediation. In order to support the estimation of amount of cash flows required the business engages with internal and external engineers and consultants as appropriate to assess the site and the work required to remediate it once operations have ceased. Estimates of projections of unit costs to undertake the work required are made by reference to best available evidence of equipment, manpower and sundry costs as extrapolated to the point where restoration is expected to commence. Estimates as to the timing of cash flows are made by reference to expectations of cessation of operations in the light of performance of the site to date and life span of planning and/or relevant plant.

(p) Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

(q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, in hand and also includes amounts held in escrow as part of a contractual obligation relating to the site.

(r) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense in the income statement.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in the income statement unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

(s) Derivative financial instruments and hedging activities

The company uses derivative financial instruments to hedge part of its exposure to fluctuations in inflation rates. Derivative financial instruments are initially measured at fair value on the date on which a contract is entered into. For cash flow hedges, the effective portion of the gain or loss is subsequently measured at fair value through the statement of other comprehensive income and the hedging reserve, while any ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when a forecast sale or purchase occurs. If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the contracts are calculated using their market values at the statement of financial position.

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

4. Turnover

Turnover arises from:

	2019	2018
	£'000	£'000
Electricity generation	<u>1,932</u>	<u>1,884</u>

Turnover consists entirely of sales made to the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2019	2018
	£'000	£'000
Amortisation of intangible assets	5	1
Depreciation of tangible assets – owned assets	565	559
Amortisation of capitalised interest (included within depreciation)	5	5
Operating lease rental for land	<u>72</u>	<u>73</u>

The company has no employees.

The directors of the company are also directors of the ultimate parent company and related companies. The remuneration the directors received was paid by The Banks Group Limited, a group company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the related companies.

6. Auditors' remuneration

	2019	2018
	£'000	£'000
Fees payable for the audit of the financial statements	<u>3</u>	<u>2</u>
Fees payable to the company's auditors and their associates for other services:		
Tax compliance services	<u>2</u>	<u>–</u>

7. Finance income

	2019	2018
	£'000	£'000
Interest receivable	<u>–</u>	<u>3</u>

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

8. Finance costs

	2019	2018
	£'000	£'000
Interest on banks loans	—	347
Interest due to group undertakings	363	76
Amortisation of debt issue costs	8	134
Other interest payable and similar charges	—	69
Unwinding of discount provisions	18	—
	<u>389</u>	<u>626</u>

Bank loans were repaid in the prior year with funds received from the company's parent, Banks Renewables (HMA Finance) Limited.

9. Tax on profit/(loss)

Major components of tax expense

The tax charge on the profit/(loss) for the year was as follows:

	2019	2018
	£'000	£'000
Deferred tax:		
Impact of change in tax rate	(9)	16
Origination and reversal of timing differences	86	(150)
Total deferred tax (note 15)	<u>77</u>	<u>(134)</u>
Total tax expense/(income)	<u>77</u>	<u>(134)</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018
	£'000	£'000
Profit/(loss) before tax	412	(820)
Profit multiplied by standard rate of tax	78	(156)
Effect of expenses not deductible for tax purposes	8	6
Tax rate changes and differentials	(9)	16
Tax on profit/(loss)	<u>77</u>	<u>(134)</u>

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

Factors that may affect future tax income

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantially enacted on 15 September 2016. A rate of 17% has therefore applied to the deferred tax liability at the Statement of Financial Position date.

10. Intangible assets

	Power purchasing agreement costs £'000
Cost	
At 1 October 2018 and 30 September 2019	24
Accumulated amortisation	
At 1 October 2018	19
Charge for the year	5
At 30 September 2019	24
Carrying amount	
At 30 September 2019	–
At 30 September 2018	5

11. Tangible assets

	Plant and machinery £'000	Wind farm restoration assets £'000	Total £'000
Cost			
At 1 October 2018 and 30 September 2019	11,047	200	11,247
Additions	–	–	–
At 30 September 2019	11,047	200	11,247
Accumulated depreciation			
At 1 October 2018	3,734	33	3,767
Charge for the year	552	13	565
At 30 September 2019	4,286	46	4,332
Carrying amount			
At 30 September 2019	6,761	154	6,915
At 30 September 2018	7,313	167	7,480

Included in the total costs of plant and machinery is £60,000 in respect of capitalised interest (2018: £65,000).

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

12. Debtors

	2019	2018
	£'000	£'000
Other debtors	6	2
Prepayments and accrued income	491	288
	<u>497</u>	<u>290</u>

13. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	18	–
Amounts owed to Group undertakings	6,742	7,547
Accruals and deferred income	38	44
	<u>6,798</u>	<u>7,591</u>

Amounts due to group undertakings are unsecured, accrue interest at 5%, have no fixed date of repayment and are repayable on demand.

14. Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Derivative financial liability (note 17)	<u>233</u>	<u>166</u>

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

15. Provisions for liabilities

	Deferred tax (note 16) £'000	Site Restoration £'000	Total £'000
At 1 October 2018	80	200	280
Additions	–	18	18
Charge against provision through the income statement (note 9)	77	–	77
On movement in derivative financial instruments	(12)	–	(12)
At 30 September 2019	145	218	363

Site restoration

Provisions are made for the total cost of site clearance including excavating wind farm foundations to 1m. below ground level and soil replacement. Planning permission requires the site to be restored after 25 years of operation, when the provision will be released.

16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £'000	2018 £'000
Included in provisions (note 15)	<u>145</u>	<u>80</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019 £'000	2018 £'000
Fixed asset timing differences	734	745
Losses	(549)	(637)
Short term timing differences	<u>(40)</u>	<u>(28)</u>
	145	80

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

17. Derivative financial instruments and hedging activities

The carrying amount for each category of financial instrument is as follows:

	2019	2018
	£'000	£'000
Financial liabilities measured at fair value through profit or loss		
RPI swaps	<u>233</u>	<u>166</u>

The company has the following derivatives:-

RPI swaps to manage inflation risk volatility.

These derivatives are used to manage inflation risk. The inflation swaps are determined to be effective hedges and therefore movements in fair value of £67,000 (2018: £166,000) have been recognised as a change in other comprehensive income. Cash flows are expected to occur over a period to 2032.

The fair values of the derivatives held at statement of financial position date, were determined by reference to their market value.

In the prior year the company terminated interest rate hedges which managed interest rate risk. On termination, the value recognised in the income statement was £1,065,000.

18. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£'000	No.	£'000
Ordinary shares of £1 each	<u>1</u>	<u>—</u>	<u>1</u>	<u>—</u>

19. Reserves

Hedging reserve

This reserve is used to record increases and decreases in the fair value of derivative financial instruments. These are used by the company to manage interest rate volatility.

Capital reserve

This reserve reflects the discount to the book value of the loan with other group undertakings recognised on inception where the loan is interest free.

Profit and loss account

This account represents cumulative profits and losses less dividends paid.

Banks Renewables (Marr Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

20. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£'000	£'000
Not later than 1 year	68	68
Later than 1 year and not later than 5 years	270	270
Later than 5 years	1,150	1,239
	<u>1,488</u>	<u>1,577</u>

21. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding as at 30 September, are as follows:

	2019	2018
	£'000	£'000
Purchased from related parties	101	53
Interest paid to related parties	—	69

Terms and conditions of transactions:

Sales and purchases between related parties are made at normal market prices.

The company has not disclosed transactions with other Group companies, as it has taken advantage of the exemption contained within FRS 102.33.1A on the grounds that its subsidiaries are wholly owned.

22. Restricted cash

Included in the total of cash at bank and in hand is £33,000 (2018: £33,000) held in escrow as part of contractual obligations relating to the site.

23. Ultimate parent company

The company is a wholly owned subsidiary of Banks Renewables (HMA Finance) Limited which is itself a wholly owned subsidiary of Banks Renewables (HMA Holdings) Limited, the ultimate holding company. Both of these companies are incorporated in England. Banks Renewables (HMA Holdings) Limited is the only group of undertakings for which group financial statements are drawn up. The Group financial statements can be obtained from the registered office. Mr H J Banks is the controlling party by virtue of his controlling interest in the equity share capital of Banks Renewables (HMA Holdings) Limited.