Company Registration No. 06001931 (England and Wales)

BRENIG WIND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY INFORMATION

Directors	You Li Yuhua Xiao Xiangsheng Li (resigned on 26 February 2020) Dahchuan Yu (appointed on 26 February 2020)
Secretary	Ming-Lung Chang
Company number	06001931
Registered office	First Floor, St Martin's House 3 Priory Court Pilgrim Street London, England EC4V 6DE
Auditor	Deloitte LLP 1 New Street Square London, United Kingdom EC4A 3HQ

2019 BRENIG WIND LIMITED

CONTENTS

BRENIG WIND LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the strategic report for the year ended 31 December 2019.

Principal Activity

The principal activity of the Company is the operation of wind farms. The Company owns a greenfield onshore wind project located in Northern Wales, with an installed capacity of 37 MW consisting of 16 turbines. The Company has entered into a 15 year agreement to generate electricity for a secured strike price under the Contracts for Difference scheme.

Review of the Business and Key Performance Indicators

In March 2019, the construction of the windfarm has been fully completed with a total capital expenditure of £5,973k (2018: £24,106k). The Company made a profit before tax of £1,563,046 (2018: £152,866 - loss) mainly due to the windfarm commencing to generate energy in 2019.

The commissioning of the windfarm was completed on 27 March 2019 and all turbines have been in full operation from March 2019, therefore the focus of key performance indicator is the generation of electricity.

For the year ended 31 December 2019 revenue and operating profit were lower in comparison to budget due to lower power prices and wind resource.

	2019	2018
Generation Volume (MWh)	78,527	-
Turnover	£6,438,193	-
Operating profit /(loss)	£1,626,228	£(32,013)

For the year ended 31 December 2019 revenue and operating profit were lower in comparison to budget due to lower power prices. There were no major health and safety incidents to report in the year.

We are obliged to undertake full inspection and testing of electrical installations of the windfarms to ensure health and safety regulations are complied with.

Principal Risks and Uncertainties

The principal risks to the Company on its project is as follows:

Energy price market volatility

The project has been fully completed its construction phase, however, the overall recoverability of the capital expenditure is dependent on anticipated energy prices. Although in general, independent forecasters expect UK wholesale power prices to rise in real terms from current levels, driven by higher gas and carbon prices combined with the on-going phasing out of coal-fired power stations; in the short term, power prices are likely to remain volatile, which is a risk to the profitability of the project. The Company has not entered into any hedging arrangements to minimize the risk to volatility in the future power price. The Company's strategy has been designed to mitigate the risk by rigorous project assessment and continual monitoring and review.

Financial risks

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Principal Risks and Uncertainties - continued

Credit risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to a Company. The Company has adopted a policy of only dealing with creditworthy counterparties.

The Company's main exposure to credit risk is its cash balances. The risk will be mitigated through using banks whose long-term senior unsecured debt credit rating is no lower than A.

The other credit risks facing by the company relate to the company's two customers. The Company's exposure and the credit ratings of its trading counterparties are monitored by the boards of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's policy to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress condition. The Company adopts a prudent approach to liquidity management and mitigates against cash flow and liquidity risk by continuously monitoring forecasted and actual cash flows and maintains sufficient cash reserves to meet its obligations. The company also has a £60 million loan facility in place from Huasheng bank with undrawn facilities of £6.4 million (2018: undrawn facilities £12.4 million) as at year end. To ensure that the Company meets its liabilities when due, it benefits from its ultimate parent's support when needed.

Regulatory risk
The UK mechanism for supporting renewable projects continues to evolve and is changing under the Energy Market Reforms, whereby projects compete for UK government support. The Company manages this risk by constantly evaluating its portfolio to respond to the current planning consent climate and support mechanism. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of intercompany facilities and by ensuring adequate internally generated funds.
There were no major health and safety incidents to report in the period.

Future Outlook

All the wind turbines were fully installed by end of December 2018. The windfarm commenced operation on 27 March 2019, at which point the Company started receiving renewable incentives for its generation output. In addition, as these products and the electricity generated will be sold under a long term Power Purchase Agreement, management considers that this supports the company's financial projections leading to strong profitability and cash flows.

Based on the forecast from an independent advisor, the management believes over the medium term wind speeds in the UK will maintain their medium term average. In the 3rd quarter of the financial year 2020, the wind speed achieved our expectation.

Please see more details in post balance sheet event paragraph in Directors' report.

Principal Risks and Uncertainties - continued

All of the Company's business activities relate to renewable energy projects with guaranteed sales of electricity and as a result, climate-related risks have been assessed as immaterial. The Company does not use any specific metrics to assess climate-related risks as these risks have been deemed immaterial due to the Company's primary business activity of generating renewable energy. The current power price decreased in 2020, mainly impacted by COVID-19. The company considers this as short-term in nature and believe future energy price will revert to previous forecasts as energy demand increases. The Company will continue to identify, assess, and manage any future climate-related risks at the Board with its immediate parent company, CGN Europe Energy Wales Holding Limited.

On behalf of the board

....

You Li
Director

Date: 18/09/2020

The Directors present their annual report and audited financial statements for the year ended 31 December 2019.

Principal activities
The principal activity of the company is the operation of windfarm.

Results and dividends
The company's project has been fully completed in March 2019 with a total capital expenditure of £5,973k in 2019 (2018: £24,106k). The company made a profit after tax of £1,326,276 (2018: £152,866 loss) mainly due to the commencement of the full operation of the windfarm in 2019.

No ordinary dividends were paid (2018: £nil). The Directors do not recommend payment of a final dividend.

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

You Li
Yuhua Xiao
Xiangsheng Li (resigned on 26th February 2020)
Dahchuan Yu (appointed on 26th February 2020)

Dahchuan Yu was appointed as company director on 26 February 2020, Xiangsheng Li resigned as company director on the same day. None of the Directors have an employment contract with the Company and no qualifying indemnities were in place in the current or prior year.

Financial risk management objectives and policies
The Directors refer to their Strategic Report presented in page 1 to 2.

Going concern
The Company is in a net current liabilities position. As described in the Strategic Report, the Company's focus has been switched from the construction to the operation of the windfarm in 2019. The windfarm has commenced operations on 27 March 2019 and the Company has generated positive net cash inflows.

In 2017, the Company entered into a £60 million facility with CGNPC Huasheng Investment Ltd, who is the CGN group's sole management centre for foreign capital and financing platform, has provided funding to complete the construction activities. The Company is dependent for its working capital on the funds provided to it by Huasheng Investment Ltd. As at 31 December 2019, the total drawdown is £53.6 million (2018: £47.6 million).

Furthermore, Huasheng Investment Ltd has confirmed that a new 7 year loan agreement will be in place to replace the current short term loan agreement. Huasheng has indicated that a full repayment of the remaining loan principle will not be requested for at least 12 months from date of approval of these financial statements.

Taking the above into consideration, the Directors have evaluated the ability of the CGNPC Huasheng Investment Ltd and its ultimate parent, China General Nuclear Power Corporation, which is owned by the People's Republic of China, to provide the necessary support. The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared assuming the Group will continue as a going concern. The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared assuming the Company will continue as a going concern.

Post balance sheet events

Covid-19
Subsequent to the year end, power prices declined, driven by a decline in oil and gas prices due to supply and demand factors, which included the impact of the COVID-19 pandemic. The COVID-19 pandemic has not had any adverse impact on the Company's current production operations and the Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event as there was no disruption to the market, customers, maintenance of the windfarm prior to the year end. Although it is not possible to reliably estimate the length or severity of this development, and hence their financial impact, daily power prices has increased above the prevailing levels of £20/ MWh - £25/ MWh since June 2020, if daily prices is below this prevailing price in the future for an extended period of time, this could have an adverse impact on our financial results for future periods.

Brexit
All the Company's sales are with entities in the UK and are under long-term contracts where all output generated by the renewable energy projects has to be purchased. As a result Brexit-related risks would be related to operational costs of the Company. Any additional costs that may be incurred would be the result of Brexit-related delays to the supply of plant, property and equipment or availability of skilled human resource. These are expected to be short-term in nature and would be managed by the Company through its existing processes.

There were no other significant post balance sheet events affecting the financial position of the company which could require adjustment to the financial statements or the inclusion of a note since the year end.

Future outlook
The future development and outlook has been discussed in the Strategic Report.

Auditor
Deloitte LLP was appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006. A resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor
Each of the persons who is a director at the date of approval of this report confirms that:

• so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
• the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board

....

You Li
Director
Date: 18/09/2020

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRENIG WIND LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Brenig Wind Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 Financial Reporting Council's (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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRENIG WIND LIMITED

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.

Auditor's 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 the 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.

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.

Ivan Boonzaaier, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 September 2020

BRENIG WIND LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover	3	6,438,193	-
Cost of sales		(3,550,053)	-
Gross profit		2,888,140	-
Administrative expenses		(76,561)	(32,013)
Operating profit/(loss)	4	2,811,579	(32,013)
Other losses		(64,027)	(121,698)
Finance costs	5	(1,185,351)	-
Finance income	3	845	845
Profit/(loss) before taxation		1,563,046	(152,866)
Tax on profit	6	(236,770)	-
Profit/(loss) and comprehensive income/(loss) for the financial year		1,326,276	(152,866)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income for 2019 (2018: nil). Therefore no separate statement of comprehensive income has been presented.

The notes on pages 12 to 23 form part of these financial statements.

BRENIG WIND LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non- current assets			
Property, plant and equipment	8	53,599,554	49,985,741
		53,599,554	49,985,741
Current assets			
Cash at bank and in hand		5,319,169	1,770,140
Trade and other receivables	9	4,309,107	5,854,604
		9,628,276	7,624,744
Trade and other payables amounts falling due within one year	10	(55,779,774)	(51,464,475)
Net current liabilities		(46,151,498)	(43,839,731)
Liabilities amounts falling due more than one year			
Decommissioning provision	11	(677,000)	(938,000)
Deferred tax liabilities	14	(236,770)	-
Total assets less total liabilities		6,534,286	5,208,010
Net assets		6,534,286	5,208,010
Capital and reserves			
Share capital	12	3,350,000	3,350,000
Profit and loss reserve	12	3,184,286	1,858,010
Total equity		6,534,286	5,208,010

The financial statements were approved by the board of Directors and authorised for issue on 18/09/2020 and are signed on its behalf by:

....

You Li
Director
Company Registration No. 06001931

The notes on pages 12 to 23 form part of these financial statements.

BRENIG WIND LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserve	Total
	£	£	£
Balance at 1 January 2018	3,350,000	2,010,876	5,360,876
Loss for the year	-	(152,866)	(152,866)
Balance at 31 December 2018	3,350,000	1,858,010	5,208,010
Profit for the year	-	1,326,276	1,326,276
Balance at 31 December 2019	3,350,000	3,184,286	6,534,286

The notes on pages 12 to 23 form part of these financial statements.

Company Information

Brenig Wind Limited is a private company limited by shares incorporated under the Company Act 2006 in the United Kingdom and registered in England and Wales. The registered office is First Floor, St Martin's House, 3 Priory Court, Pilgrim Street, London, England, EC4V 6DE.

The principal activity of the company is that of construction and operation of wind farms.

1 Accounting policies

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Brenig Wind Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Brenig Wind Limited is consolidated in the financial statements of its parent, CGN EE Wales Holdings Limited, which may be obtained at the company's address on page 22. Exemptions have been taken in relation to the presentation of a cash flow statement, transactions with fellow group companies and financial instruments.

The principal accounting policies adopted are set out below.

Going concern

The financial statements have been prepared assuming the Company will continue as a going concern.

The Directors consider it appropriate to prepare the financial statements on a going concern basis. Further details and explanation regarding the adoption of the going concern basis can be found in the Directors report.

Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less any subsequent accumulated depreciation and any recognised impairment loss.

All expenditure directly attributable to bringing the wind farm into the location and condition necessary for use is capitalised. Costs include turbine costs, land operating lease rentals, grid connection, civil engineering, cabling, lease related costs, community funds, telecoms, direct labour and the costs of materials.

Straight line method has been used for depreciation charge, it is provided at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful economic life as follows:

Wind farm	20 years
Decommissioning assets	20 years
Property, plant and equipment	5 years

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Interest receivable income

Interest income is interest income on bank deposits which attract interest at prevailing deposits interest rates.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign 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 balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1 Accounting policies (continued)

Commitments and contingencies
Commitments and contingent liabilities are disclosed in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefit is probable.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

Borrowing costs
All borrowings costs are recognised in the profit and loss in the period in which they are incurred except for borrowing costs attributable to qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is to be capitalised as a cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale

Decommisioning costs
Provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the wind farm. This provision is made when construction of the wind farm has reached a stage when decommissioning of the constructed plant would incur material costs. The provision is calculated using estimated costs of decommissioning and these estimated have been arrived at by consideration of the expected costs of contracts to remove the installed plant. The estimates are discounted at a rate that reflects current market assessments of the time value of money. A corresponding asset is recognised and included within the wind farm assets and depreciated over the life of the wind farm. The estimated future cost of decommissioning obligations is regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology.

Turnover
Turnover comprises income, exclusive of value added tax, derived from the sale of electricity generated by the company and is recognised in the Profit and Loss Account once the volume of energy sold under the terms of a power purchase agreement has been verified by both parties to the agreement. No turnover is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible rejection of services by the client.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amount reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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 the revision and future periods if the revision affects both current and future periods.

There were no critical accounting judgements in 2019.

Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within future financial years is as below.

Impairment of Windfarm and intangible assets

An assessment is made annually whether property, plant and equipment and intangible assets have suffered any impairment losses. In the current year there were no impairment triggers identified and therefore no impairment assessment has been performed.

The assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. An impairment exists when the carrying value of non-financial assets or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from internal budgets and do not include significant future investments that will enhance the asset's performance of the cash generating unit being tested. The key assumptions are a discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Other assumptions involved current market quotations from technical suppliers, independent professional consultants for wind speeds forecast, and CPI, RPI that are publicly available.

Decommissioning provision

Provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the wind farm. This provision is made when construction of the wind farm has reached a stage when decommissioning of the constructed plant would incur material costs. The provision is calculated using estimated costs of decommissioning, and these estimates have been arrived at by consideration of the expected costs of contracts to remove the installed plant. The estimates are discounted at a rate that reflects current market assessments of the time value of money. A corresponding asset is recognised and included within the wind farm assets and depreciated over the life of the wind farm. The estimated future costs of decommissioning obligations are regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology. An average inflation rate of 2.1% and a pre-tax discount rate of 1.5% have been applied as part of the review.

3 Turnover

	2019	2018
An analysis of revenue by category is as follows	£	£
Electricity Sales	6,438,193	-
Other income	845	845
	6,439,038	845

	2019	2018
Analysis of turnover by geographically	£	£
United Kingdom	6,438,193	845
	6,438,193	845

4 Operating profit / (loss)

	2019	2018
The operating profit / (loss) is stated after charging:	£	£
Depreciation charge	2,098,463	-
Operating lease payment	460,322	-
Auditor's remuneration	16,500	12,500
Foreign exchange losses	64,027	121,698

5 Finance costs

	2019	2018
	£	£
Interest on loans from group company (CGNPC Huasheng)	1,185,351	-
	1,185,351	-

6 Taxation

	2019	2018
	£	£
Profit/(loss) before taxation	1,563,046	(152,866)
Profit/(loss) on ordinary activities multiplied by the standar rate of corporation tax in the UK of 19% (2018: 19%)	296,979	(29,044)
Expenses not deductible	32,426	1
Group relief	-	22,971
Tax rate changes	(27,855)	-
Utilisation of previously unrecognised tax losses	(64,780)	-
Unrecognised deferred tax	-	6,072
Taxation for the year	236,770	-

6 Taxation (continued)

Factors that may affect future tax charges

The rate of corporation tax of 19% was set to reduce to 17% from 1 April 2020 according to currently enacted legislation. During the 2019 UK election, the Conservative Party confirmed that the UK corporation tax rate would not reduce from 1 April 2020 to 17% and would remain at 19%. As at the balance sheet date this change, to maintain the rate at 19%, had not been substantially enacted. Therefore, deferred tax on UK temporary differences has been measured at the rate of 17% which was substantially enacted at the balance sheet date.

The utilisation of previously unrecognised tax losses related to the previous unrecognised deferred tax assets were utilised in full in 2019.

7 Financial instruments

	2019	2018
	£	£
Carrying amount of financial assets		
Trade and other receivables	1,697,958	324,915
Cash and cash equivalents	5,319,168	1,770,140
Amounts owed by group undertakings	2,078,715	2,148,715
	9,095,841	4,243,770
Carrying amount of financial liabilities		
Trade and other payables	975,835	2,180,554
Amounts owed to group undertakings	54,803,939	48,870,730
	55,779,774	51,051,284

Financial assets measured at amortised cost comprise cash, other debtors and intercompany balances.

Financial liabilities measured at amortised cost comprise short term creditors and intercompany balances repayable on demand.

8 Property, plant and equipment

	Windfarm
Cost	£
At 1 January 2019	49,985,741
Additions	5,973,276
Change in decommissioning assets (note 11)	(261,000)
At 31 December 2019	**55,698,017**
Depreciation	
At 1 January 2019	-
Charge for the year	2,098,463
At 31 December 2019	**2,098,463**

8 Property, plant and equipment (continued)

Net book value at 31 December 2019	**53,599,554**
Net book value at 31 December 2018	49,985,741

During the year, an amount of £369,789 (2018: £625,135) of borrowing costs were capitalised within the asset. The windfarm asset was commissioned on 27 March 2019 at which point depreciation of these assets commenced and capitalisation of interest ceased. The accumulated borrowing costs of £1.6m have been capitalised since 2017. The total capitalised borrowing costs was £1.2m in 2018.

9 Trade and other receivables

	2019	2018
Amounts falling due within one year:	**£**	**£**
Trade receivables	468,656	-
VAT/WHT repayable	-	111,068
Payment in advance	-	2,596,103
Amount owed by Parent Company	-	2,148,715
Prepayments	532,433	674,430
Other receivables	904,000	-
	1,905,089	5,530,316

	2019	2018
	£	**£**
Amounts falling due after one year:		
Other debtors	325,303	324,288
Amount owed by Parent Company	2,078,715	-
Total debtors	4,309,107	5,854,604

Other debtors include £325,303 (2018: £324,288) receivable after more than one year for monies held in Escrow accounts.

The company provided a borrowing of £2,078,715 to its parent company. This borrowing is unsecured, interest free and is repayable on demand. The company has indicated that no repayment of loan will be required within the next 12 months after the date of signing the financial statements and will provide all the financial support to its parent company.

10 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	352,758	1,824,464
Amounts due to group undertakings	566,573	659,410
Loans	54,237,366	48,211,320
Other creditors	327,455	734,431
Accruals and deferred income	295,622	34,850
	55,779,774	51,464,475

The terms of the amounts due to group undertakings are interest free and repayable on demand.

During 2017, the company obtained a short term loan facility of £60 million from CGNPC Huasheng Investment Limited which is an undertaking of CGN group, which has been renewed annually. The loan was renewed on 10 May 2020 for a further period of 6 months when the 7 years new loan agreement is in place. As at the balance sheet date, £50.6 million (2018: £47.6 million) of the loan was drawn down. The loan is unsecured and repayable in 12 months with interest rate of 2.2% plus 3 month LIBOR.

In May 2020, the facility was extended to 6th November 2020. A new 7 year loan agreement is under discussion with CGNPC Huasheng Investment Limited which is expected to be in place before the maturity date.

11 Provision

	2019	2018
	£	£
Decommissioning Provision	938,000	938,000
Change in Decommissioning Provision	(261,000)	-
	677,000	938,000

The decommissioning provision is determined as the net present value of the estimated future decommissioning costs at the end of the operation life of each wind farm. An average inflation rate of 2.1% has been applied and then discounted at a pre-tax rate of 1.5%. The windfarm is expected to be decommissioned in 2039.

12 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
3,350,000 Ordinary shares of £1	3,350,000	3,350,000

The company has one class of share that carry no right to fixed income.

Profit and loss reserves
The profit and loss reserve represents cumulative profit or losses, net of dividends paid.

13 Operating Leases

At 31 December 2019, the Company had total future minimum lease payments under non-cancellable operating leases on land as set out below:

	2019 £	2018 £
Less than one year	427,000	491,000
Between two to five years	1,708,000	1,963,000
More than five years	7,646,000	9,079,000
	9,781,000	11,533,000

During the year £460,322 (2018: £Nil) was recognised as an expense in the profit and loss account in respect of operating leases. The total interest expense of £1,137k has been capitalised in 2018 as the underlying asset is under construction.

14 Deferred tax liabilities

	2019 £	2018 £
At beginning of year	-	-
Charge to the profit or loss account	236,770	-
At end of year	236,770	-
Deferred tax liabilities		
Accelerated capital allowances	236,770	-

15 Capital commitments

The company has fully completed the contraction phase of windfarm and the windfarm has been in full operation since March 2019, therefore no further capital commitments are required. The company has no capital commitments at the Balance Sheet date (2018: £5,755,128).

16 Related party transactions

The company has taken advantage of the exemption in accordance with FRS 102, paragraph 33.1.A 'Related party disclosures' from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

17 Employees

The company has no employees other than the Directors (2018: no employee), who did not receive any remuneration.

18 Subsequent events

The Covid-19 outbreak and the related impacts are considered non-adjusting events for these financial statements. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Although it is not possible to reliably estimate the length or severity of this development, and hence their financial impact, daily power prices has increased above the prevailing levels of £20/ MWh - £25/ MWh since June 2020, if daily prices is below this prevailing price in the future for an extended period of time, this could have an adverse impact on our financial results for future periods.

Brexit

All the Company's sales are with entities in the UK and are under long-term contracts where all output generated by the renewable energy projects has to be purchased. As a result Brexit-related risks would be related to operational costs of the Company. Any additional costs that may be incurred would be the result of Brexit-related delays to the supply of plant, property and equipment or availability of skilled human resource. These are expected to be short-term in nature and would be managed by the Company through its existing processes.

There have been no other significant events since the balance sheet date which would require disclosure in or amendment of these financial statements apart from the above.

19 Controlling party

The immediate parent company is CGN Europe Energy Wales Holding Limited, a company registered in England and Wales.

The entity regarded by the Directors as being the ultimate parent undertaking and controlling party is China General Nuclear Power Corporation (CGNPC). This is the largest group for which consolidated financial statements are prepared. Copies of the financial statements of CGNPC can be obtained at its registered address Shenzhen Science & Technology Building, No.1001 Shangbuzhong Road, Futian District, Shenzhen, P.R.China. The smallest group for which consolidated financial statements are prepared is CGN Europe Energy Wales Holding Limited. Copies of the financial statements of CGN Europe Energy Wales Holding Limited can be obtained at its registered address Floor 1 Devonshire House, One Mayfair Place, London W1J 8AJ.