

Brenig Wind Limited

Director's report and audited financial statements

Year ended 31 December 2021

Company number: 06001931

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Brenig Wind Limited

Directors' report and financial statements

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Brenig Wind Limited

Directors and other information

Directors

You Li (resigned 11 November 2021)
Yuhua Xiao (resigned 30 May 2022)
Dahchuan Yu (resigned 11 November 2021)
Mingzhong Luo (appointed 11 November 2021 and
resigned on 30 May 2022)
Jihua Gong (appointed 30 May 2022)

Registered office

First Floor, St Martin's House
3 Priory Court
Pilgrim Street
London, England
EC4V 6DE

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Company number

06001931

Brenig Wind Limited

Strategic report

The directors present the strategic report for the year ended 31 December 2021.

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 was fully completed with a total capital expenditure of £Nil in 2020. The Company made a profit before tax of £2,201,523 (2020: £5,289,278).

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 2021 revenue and operating profit were lower in comparison to budget due to lower power prices and wind resource.

	2021	2020
Generation Volume (MWh)	94,737	120,933
Turnover	£8,929,720	£11,816,360
Operating profit/(loss)	£3,294,188	£6,797,810

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.

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Strategic report *(continued)*

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.

Cash flow risk

Cash flow risk is the risk of not receiving the expected cash flows or receiving less than expected to meet its financial obligations. Company policy is to mitigate the risk by preparing cash flow forecasts and conducting cash flow analysis to monitor the financial situation of the business in real time.

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 (2020: undrawn facilities £6.4 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 and therefore future results are anticipated to be in line with expectations. In the 3rd quarter of the financial year 2021, the wind speed achieved our expectation.

Brenig Wind Limited

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Future outlook *(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 Company has entered into a 15-year agreement to generate electricity for a secured strike price under the Contracts for Difference scheme. The Company considers COVID-19 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



Jihua Gong
Director

27 July 2022

Brenig Wind Limited

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the Company is the operation of windfarm.

Results and dividends

The Company made a profit after tax of £2,201,523 (2020: £5,042,291 *profit*) mainly due to the commencement of the full operation of the windfarm in 2019.

No ordinary dividends were paid (2020: £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 (resigned 11 November 2021)
Yuhua Xiao (resigned 30 May 2022)
Dahchuan Yu (resigned 11 November 2021)
Mingzhong Luo (appointed 11 November 2021 and resigned on 30 May 2022)
Jihua Gong (appointed on 30 May 2022)

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 2 to 4.

Going concern

The Company is in a net current asset position as at 31 December 2021, the directors consider it appropriate to prepare the financial statements on a going concern basis based on anticipated cash flows over the period of at least 12 months from the date of these financial statements.

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 2021, the total drawdown is £43.6million (2020: £53.6 million).

Furthermore, Huasheng Investment Ltd has also confirmed that a new 7-year loan agreement was put in place on 5 August 2021 until maturity date 5 August 2028, to replace the current short term loan agreement.

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Directors' report *(continued)*

Going concern *(continued)*

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.

COVID-19

The Company produces and supplies electricity under a long term Power Purchase Agreement ("PPA") with SmartestEnergy Limited which guarantees sales of electricity. The Company has entered into a 15-year agreement to generate electricity for a secured strike price under the Contracts for Difference scheme. The COVID-19 pandemic has not had any adverse impact on the Company's current production operations.

Post balance sheet events

The Directors have considered the impact of the conflict in Ukraine on the Company at 31 December 2021 and subsequently. The main impact has been the increase in wholesale gas and electricity prices which has increased the Company's revenues under the existing PPA. The company has not experienced any significant delays or supply chain issues as a result of the conflict. There are no other disclosable subsequent events.

Future outlook

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG will therefore continue in office.

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Directors' report *(continued)*

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 Section 418 of the Companies Act 2006.

On behalf of the board



Jihua Gong
Director

27 July 2022

Brenig Wind Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report, strategic 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 they have elected to prepare the financial statements in accordance with 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 estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board



Jihua Gong
Director

27 July 2022



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of Brenig Wind Limited Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Brenig Windfarm Limited ("the Company") for the year ended 31 December 2021 set out on pages 14 to 29, which comprise the statement of profit and loss and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent auditor's report to the members of Brenig Wind Limited Limited (continued)

Report on the audit of the financial statements (continued)

Conclusions relating to going concern (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Company is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.



Independent auditor's report to the members of Brenig Wind Limited Limited (continued)

Report on the audit of the financial statements (continued)

Detecting irregularities including fraud (continued)

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of 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 as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.



Independent auditor's report to the members of Brenig Wind Limited Limited (continued)

Report on the audit of the financial statements (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- 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 these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they 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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.



Independent auditor's report to the members of Brenig Wind Limited Limited
(continued)

Respective responsibilities and restrictions on use *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

28 July 2022

Keith Watt (*Senior Statutory Auditor*)
for and on behalf of
KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Brenig Wind Limited

Profit and loss account and other comprehensive income for the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	8,929,720	11,816,360
Cost of sales		(5,051,349)	(4,231,183)
		<hr/>	<hr/>
Gross profit		3,878,371	7,585,177
		<hr/>	<hr/>
Administrative expenses		(584,183)	(787,367)
		<hr/>	<hr/>
Operating profit	5	3,294,188	6,797,810
Other gains/(losses)		4,595	(16,325)
Finance costs	6	(1,098,053)	(1,493,415)
Finance income	4	793	1,208
		<hr/>	<hr/>
Profit before taxation		2,201,523	5,289,278
		<hr/>	<hr/>
Tax on profit	7	628,957	(246,987)
		<hr/>	<hr/>
Profit and comprehensive income for the financial year		2,830,480	5,042,291
		<hr/> <hr/>	<hr/> <hr/>

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

There was no other comprehensive income for 2021 (2020: £Nil). Therefore, no separate statement of comprehensive income has been presented.

The notes on pages 17 to 29 form part of these financial statements.

Brenig Wind Limited

Balance sheet

as at 31 December 2021

	Note	2021 £	2020 £
Non current assets			
Property, plant and equipment	9	47,339,784	50,815,162
Deferred tax asset	15	145,200	-
Current assets			
Cash at bank and in hand		7,596,581	11,965,572
Trade and other receivables	10	6,914,192	5,130,268
Trade and other payables amounts falling due within one year	11	(7,688,700)	(55,173,668)
Net current assets/ (liabilities)		6,822,073	(38,077,828)
Liabilities amounts falling due more than one year			
Loan	11	(39,900,000)	-
Decommissioning provision	12	-	(677,000)
Deferred tax liabilities	15	-	(483,757)
Total assets less total liabilities		14,407,057	11,576,577
Capital and reserves			
Share capital	13	3,350,000	3,350,000
Profit and loss reserve	13	11,057,057	8,226,577
Total equity		14,407,057	11,576,577

The notes on pages 17 to 29 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 27 July 2022 and are signed on its behalf by:



Jihua Gong
Director

Company registration number: 06001931

Brenig Wind Limited

Statement of changes in equity for the year ended 31 December 2021

	Share capital £	Profit and loss account £	Total £
At 1 January 2020	3,350,000	3,184,286	6,534,286
Profit for the year	-	5,042,291	5,042,291
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	3,350,000	8,226,577	11,576,577
Profit for the year	-	2,830,480	2,830,480
	<hr/>	<hr/>	<hr/>
At 31 December 2021	3,350,000	11,057,057	14,407,057
	<hr/>	<hr/>	<hr/>

The notes on pages 17 to 29 form part of these financial statements.

Brenig Wind Limited

Notes (continued)

Notes

forming part of the financial statements

1 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 the operation of wind farms.

2 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 29. 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 Company is in a net current asset position, the financial statements have been prepared assuming the Company will continue as a going concern.

The directors have considered its cash reserves on hand at the time of approval of the financial statements and trading performance post year end. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. CGNPC Huasheng Investment Ltd has also confirmed that a new 7-year loan agreement was put in place on 5 August 2021 until maturity date 5 August 2028, to replace the current short term loan agreement. 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 needed should it need it.

The directors consider it appropriate to prepare the financial statements on a going concern basis based on anticipated cash flows over the period of at least 12 months from the date of these financial statements.

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

Brenig Wind Limited

Notes (continued)

engineering, cabling, lease related costs, community funds, telecoms, direct labour and the costs of materials.

2 Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation 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

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.

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.

Brenig Wind Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

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.

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.

Brenig Wind Limited

Notes *(continued)*

2 Accounting policies *(continued)*

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.

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.

Brenig Wind Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Taxation *(continued)*

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.

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.

Decommissioning 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.

Brenig Wind Limited

Notes *(continued)*

2 Accounting policies *(continued)*

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.

3 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 2021.

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.

Brenig Wind Limited

Notes (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

4 Turnover	2021 £	2020 £
An analysis of revenue by category is as follows:		
Electricity sales	8,929,720	11,816,360
Other income	793	1,208
	<hr/>	<hr/>
	8,930,513	11,817,568
	<hr/>	<hr/>
Analysis of turnover by geographically United Kingdom	8,929,720	11,816,360
	<hr/>	<hr/>
	8,929,720	11,816,360
	<hr/>	<hr/>
5 Operating profit	2021 £	2020 £
The operating profit is stated after charging:		
Depreciation charge	2,678,906	2,784,392
Operating lease payment	1,185,342	475,837
Auditor's remuneration	7,000	15,700
Foreign exchange (gains)/losses	(4,595)	16,325
	<hr/>	<hr/>

Brenig Wind Limited

Notes (continued)

6 Finance costs	2021 £	2020 £
Interest on loans from group company (CGNPC Huasheng)	1,098,053	1,493,415
	1,098,053	1,493,415
7 Taxation	2021 £	2020 £
UK current tax		
UK corporation tax current tax	-	-
Total current tax (credit)/charge	-	-
UK deferred tax		
Origination and reversal of timing differences	448,087	829,463
Adjustment in respect of previous periods	(1,042,196)	(546,086)
Effect of changes in tax rates	(34,848)	(36,390)
Total deferred tax (note 15)	(628,957)	246,987
Total tax charge for the year	(628,957)	246,987

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit before taxation	2,201,523	5,289,278
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	418,289	1,004,963
Expenses not deductible	29,798	43,416
Group relief	-	(218,916)
Tax rate changes	(34,848)	(36,390)
Adjustment from previous periods	(1,042,196)	(546,086)
Taxation for the year	(628,957)	246,987

Brenig Wind Limited

Notes (continued)

7 Taxation (continued)

Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2021 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2021 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2020: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax charge of £152,766.

8 Financial instruments

	2021 £	2020 £
<i>Carrying amount of financial assets</i>		
Trade and other receivables	2,907,290	1,284,614
Cash and cash equivalents	7,596,581	11,965,572
Amounts owed by group undertakings	3,657,743	3,157,743
	<hr/>	<hr/>
	14,161,615	16,407,929
	<hr/>	<hr/>
<i>Carrying amount of financial liabilities</i>		
Trade and other payables	2,428,958	375,237
Amounts owed to group undertakings	5,259,742	54,342,541
	<hr/>	<hr/>
	7,688,700	54,717,778
	<hr/>	<hr/>

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.

Brenig Wind Limited

Notes (continued)

9 Property, plant and equipment		Windfarm £
Cost		
At 1 January 2021		55,698,017
Disposals		(796,472)
		<hr/>
At 31 December 2021		54,901,545
		<hr/>
Depreciation		
At 1 January 2021		4,882,855
Charge for the year		2,678,906
		<hr/>
At 31 December 2021		7,561,761
		<hr/>
Net book value		
At 31 December 2020		50,815,162
		<hr/>
At 31 December 2021		47,339,784
		<hr/>
10 Trade and other receivables	2021 £	2020 £
Amounts falling due within one year:		
Trade receivables	3,966	959,129
VAT/WHT repayable	-	-
Amount owed by Parent Company	-	-
Prepayments	349,158	687,910
Other receivables	2,903,324	-
	<hr/>	<hr/>
	3,256,449	1,647,039
	<hr/>	<hr/>
Amounts falling due after one year:		
Other debtors	-	325,486
Amount owed by Parent Company	3,657,743	3,157,743
	<hr/>	<hr/>
Total debtors	6,914,192	5,130,268
	<hr/>	<hr/>

Other debtors include £ Nil (2020: £325,486) receivable after more than one year for monies held in Escrow accounts.

The Company provided a borrowing of £3,657,743 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.

Brenig Wind Limited

Notes (continued)

11 Creditors: amounts falling due within one year	2021	2020
	£	£
Trade creditors	924,661	2,400
Amounts due to group undertakings	734,295	566,574
Loans	4,525,447	54,231,858
Other creditors	1,239,297	179,136
Accruals and deferred income	265,000	193,700
	<u>7,688,700</u>	<u>55,173,668</u>

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

Creditors: amounts falling due after one year	2021	2020
	£	£
Loan	39,900,000	-
	<u>39,900,000</u>	<u>-</u>

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, £43.6 million (2020: £53.6 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.

On 5 August 2021, a new 7 year loan agreement was put in place until maturity date 5 August 2028, to replace the current short term loan agreement.

12 Provisions	2021	2020
	£	£
Decommissioning provision	677,000	677,000
Change in decommissioning provision	(677,000)	-
	<u>-</u>	<u>677,000</u>

At year end the decommissioning provision was released to align with Group policies. In prior periods the decommissioning provision was determined as the net present value of the estimated future decommissioning costs at the end of the operation life of each wind farm.

Brenig Wind Limited

Notes (continued)

13 Share capital	2021 £	2020 £
Ordinary share capital		
<i>Issued and fully paid</i>		
3,350,000 Ordinary shares of £1 each	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.

14 Operating leases

At 31 December 2021, the Company had total future minimum lease payments under non-cancellable operating leases on land as set out below:

	2021 £	2020 £
Less than one year	427,000	427,000
Between two to five years	1,708,000	1,708,000
More than five years	6,792,000	7,219,000
	<u>8,927,000</u>	<u>9,354,000</u>

During the year £1,185,342 (2020: £475,837) 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 and 2019 as the underlying asset is under construction.

15 Deferred tax (assets)/liabilities	2021 £	2020 £
At beginning of year	483,757	236,770
Charge to the profit or loss account (note 6)	(628,957)	246,987
	<u>(145,200)</u>	<u>483,757</u>
At end of year	(145,200)	483,757
Deferred tax liabilities		
Accelerated capital allowances	(145,200)	483,757

16 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 (2020: £Nil).

Brenig Wind Limited

Notes (continued)

17 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.

18 Employees

The Company has no employees other than the directors (2020: no employees), who did not receive any remuneration.

19 Post balance events

The Directors have considered the impact of the conflict in Ukraine on the Company at 31 December 2021 and subsequently. The main impact has been the increase in wholesale gas and electricity prices which has increased the Company's revenues under the existing PPA. The company has not experienced any significant delays or supply chain issues as a result of the conflict. There are no other disclosable subsequent events.

20 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.

21 Approval of financial statements

These financial statements were approved by the directors on 27 July 2022.