

BANKSRenewables

development with care

COMPANY REGISTRATION NUMBER: 06917667

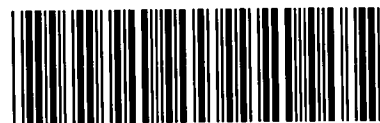
Banks Renewables (Kype Muir Wind Farm) Limited

Financial Statements

30 September 2020

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Banks Renewables (Kype Muir Wind Farm) Limited

Financial Statements

Year ended 30 September 2020

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Banks Renewables (Kype Muir Wind Farm) Limited

Corporate Information

The board of directors	R J Dunkley S Fisher
Company secretary	D J Martin
Registered office	Inkerman House St John's Road Meadowfield DH7 8XL
Independent auditor	PricewaterhouseCoopers LLP Level 5 and 6 Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Bankers	Santander Bootle Merseyside L30 4GB

Banks Renewables (Kype Muir Wind Farm) Limited

Strategic Report

Year ended 30 September 2020

The directors present the Strategic Report for the year ended 30 September 2020.

Review of the business and key performance indicators

Kype Muir Wind Farm is an onshore wind farm with twenty six turbines each of 3.4 megawatt generating capacity. The wind farm commenced operation in March 2019 and since completion of development has performed well with good site availability. A dividend of £nil (2019: £nil) has been paid.

2020 also saw the maintenance provider to the site, Senvion, being acquired by Siemens Gamesa and the Directors believe that this ensures that the long-term performance of the wind farm can be maintained.

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

	2020	2019
	£'000	£'000
Turnover	25,517	11,658
Operating profit	14,063	6,521
Profit for the financial year	8,546	3,342
Shareholders' funds	11,085	2,696

Future developments

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

Principal risks and uncertainties

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

Safety

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

Financial

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

Banks Renewables (Kype Muir Wind Farm) Limited

Strategic Report *(continued)*

Year ended 30 September 2020

Contractual

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

Operational risk - UK withdrawal from the EU

There remains some uncertainty over the ongoing impact of the withdrawal of the UK from the European Union. Whilst not currently an issue, if the withdrawal results in delays in obtaining component parts for the Company's capital equipment then there could be reduced performance from the business if repairs to assets are delayed. The Company will continue to monitor this risk and liaise with its suppliers to minimise any impact resulting from it.

Going concern

Under Company Law, the directors are required to consider whether it is appropriate to prepare financial statements on the basis that the company is a going concern. As part of its normal business practice, cash flow forecasts, longer term financial projections and sensitivity analysis are prepared and in reviewing this information the Board has a reasonable expectation that, as part of the Banks Renewables Holdings Limited group, the company and Group has adequate resources to continue in operational existence for the foreseeable future. Furthermore, Banks Renewables Holdings Limited, as the ultimate parent company, will support the company to enable the company to fund its working capital and debt service requirements for at least a period of 12 months from the date of approval of these financial statements.

This report was approved by the board of directors on 4 March 2021 and signed by order of the board by:



D J Martin
Company Secretary

Banks Renewables (Kype Muir Wind Farm) Limited

Directors' Report

Year ended 30 September 2020

The directors present their report and the audited Financial Statements of the company for the year ended 30 September 2020.

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

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

Principal activities

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

Directors

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

R J Dunkley
S Fisher

Dividends

The directors do not recommend the payment of a dividend (2019:£nil).

Banks Renewables (Kype Muir Wind Farm) Limited

Directors' Report *(continued)*

Year ended 30 September 2020

Financial risk management

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

Credit Risk

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

Liquidity Risk

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

Interest rate cash flow risk

The company has interest bearing liabilities and has entered into interest rate hedging agreements with its bankers. The company has a policy of maintaining a significant proportion of long term debt at a fixed rate to ensure certainty of future interest cash flows. Other principal risks and uncertainties are explained in the Strategic Report.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

Banks Renewables (Kype Muir Wind Farm) Limited

Directors' Report *(continued)*

Year ended 30 September 2020

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they 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 auditors are aware of that information.

Independent Auditors

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

This report was approved by the board of directors on 4 March 2021 and signed by order of the board by:



D. J. Martin
Company Secretary

Company registration number: 06917667

Banks Renewables (Kype Muir Wind Farm) Limited

Independent auditors' report to the members of Banks Renewables (Kype Muir Wind Farm) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2020; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Banks Renewables (Kype Muir Wind Farm) Limited

Independent auditors' report to the members of Banks Renewables (Kype Muir Wind Farm) Limited (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Banks Renewables (Kype Muir Wind Farm) Limited

Independent auditors' report to the members of Banks Renewables (Kype Muir Wind Farm) Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
4 March 2021

Banks Renewables (Kype Muir Wind Farm) Limited

Income Statement

Year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Turnover	4	25,517	11,658
Cost of sales		(10,972)	(5,878)
Gross profit		14,545	5,780
Administrative expenses		(482)	(183)
Other operating income		—	924
Operating profit	5	14,063	6,521
Finance income	7	21	44
Finance costs	8	(4,284)	(2,418)
Profit before tax		9,800	4,147
Tax on profit	9	(1,254)	(805)
Profit for the financial year		8,546	3,342

All the activities of the company are from continuing operations.

The notes on pages 14 to 24 form part of these Financial Statements.

Banks Renewables (Kype Muir Wind Farm) Limited

Statement of Comprehensive Income

Year ended 30 September 2020

	2020	2019
	£'000	£'000
Profit for the financial year	8,546	3,342
Movement on derivative financial instruments	(204)	(1,302)
Deferred tax on movement in derivative financial instruments	47	221
Other comprehensive expense for the year	(157)	(1,081)
Total comprehensive income for the year	<u>8,389</u>	<u>2,261</u>

The notes on pages 14 to 24 form part of these Financial Statements.

Banks Renewables (Kype Muir Wind Farm) Limited

Statement of Financial Position

30 September 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	10	114,668	121,335
Current assets			
Debtors	11	3,515	3,630
Cash at bank and in hand		6,850	16,639
		<u>10,365</u>	<u>20,269</u>
Creditors: amounts falling due within one year	12	(21,489)	(40,114)
Net current liabilities		<u>(11,124)</u>	<u>(19,845)</u>
Total assets less current liabilities		103,544	101,490
Creditors: amounts falling due after more than one year	13	(89,024)	(96,589)
Provisions for liabilities	15	(3,435)	(2,205)
Net assets		<u>11,085</u>	<u>2,696</u>
Capital and reserves			
Called up share capital	18	-	-
Hedging reserve	19	(519)	(362)
Profit and loss account	19	11,604	3,058
Total shareholders' funds		<u>11,085</u>	<u>2,696</u>

These Financial Statements on pages 10 to 24 were approved by the board of directors and authorised for issue on 4 March 2021, and are signed on behalf of the board by:



S Fisher
Director

The notes on pages 14 to 24 form part of these Financial Statements.

Banks Renewables (Kype Muir Wind Farm) Limited

Statement of Changes in Equity

Year ended 30 September 2020

	Called up share capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2018	–	719	(284)	435
Profit for the financial year	–	–	3,342	3,342
Other comprehensive income/(expense) for the year:				
Movement on derivative financial instruments	–	(1,302)	–	(1,302)
Deferred tax on movement in derivative financial instruments	–	221	–	221
Total comprehensive income/ (expense) for the year	–	(1,081)	3,342	2,261
At 30 September 2019	–	(362)	3,058	2,696
Profit for the financial year	–	–	8,546	8,546
Other comprehensive income/ (expense) for the year:				
Movement on derivative financial instruments	–	(204)	–	(204)
Deferred tax on movement in derivative financial instruments	–	47	–	47
Total comprehensive income/ (expense) for the year	–	(157)	8,546	8,389
At 30 September 2020	–	(519)	11,604	11,085

The notes on pages 14 to 24 form part of these Financial Statements.

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements

Year ended 30 September 2020

1. General information

Banks Renewables (Kype Muir Wind Farm) Limited is a limited company incorporated in England. The Registered Office is Inkerman House, St. John's Road, Meadowfield, Durham, DH7 8XL.

2. Statement of compliance

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

3. Accounting policies

(a) Basis of preparation

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

(b) Disclosure exemptions

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

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

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

(c) Capitalisation of finance costs and interest

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

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

3. Accounting policies *(continued)*

(d) Revenue recognition

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

Sale of electricity

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

Interest income

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

(e) Judgements and key sources of estimation uncertainty

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

- Site restoration

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

(f) Fundamental accounting concept

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. As at the year end amounts owed to KMH Finance Limited were £10,305,000 (2019:£ 28,415,000). KMH Finance Limited will only seek repayment of the intercompany loan as and when funds become available. Furthermore, Banks Renewables Holdings Limited, as the ultimate parent company, will support the company to enable the company to fund its working capital and debt service requirements for at least a period of 12 months from the date of approval of these financial statements.

(g) Taxation

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

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

3. Accounting policies *(continued)*

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

(h) Foreign currencies

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

(i) Leasing contracts

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

(j) Tangible fixed assets

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

Plant and machinery	20 years
Windfarm restoration assets	written off over site operational life

(k) Site restoration

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

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

(l) Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses. This is classified as a financial asset/liability.

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

3. Accounting policies *(continued)*

(m) Cash and cash equivalents

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

(n) 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.

Derivative financial instruments and hedging activities

The company uses derivative financial instruments to hedge part of its exposure to fluctuations in interest and exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a contract is entered into. For cash flow hedges, the effective portion of the gain or loss is subsequently measured at fair value through the statement of other comprehensive income and the hedging reserve, while any ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when a forecast sale or purchase occurs.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

4. Turnover

Turnover arises from:

	2020	2019
	£'000	£'000
Electricity generation	<u>25,517</u>	<u>11,658</u>

Turnover consists entirely of sales made to the United Kingdom.

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

5. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of tangible assets – owned assets	6,198	3,098
Amortisation of capitalised interest (included within depreciation)	226	113
Foreign exchange differences	–	(4)
Operating lease rental for land	1,371	829
Other operating income – exceptional income	<u>–</u>	<u>924</u>

The company has no employees (2019: nil).

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

6. Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable for the audit of the financial statements	<u>6</u>	<u>6</u>
Fees payable to the company's auditors and their associates for other services:		
Tax compliance services	<u>5</u>	<u>5</u>

7. Finance income

	2020 £'000	2019 £'000
Bank interest receivable	<u>21</u>	<u>44</u>

8. Finance costs

	2020 £'000	2019 £'000
Interest on banks loans and overdrafts	3,056	1,512
Interest due to group undertakings	824	700
Amortisation of debt issue costs	381	195
Unwinding of discount provisions	<u>23</u>	<u>11</u>
	<u>4,284</u>	<u>2,418</u>

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

9. Tax on profit

Major components of tax expense

	2020 £'000	2019 £'000
Current tax:		
UK current tax expense	–	(5)
Deferred tax:		
Impact of change in tax rate	(5)	(95)
Origination and reversal of timing differences	2,047	900
Adjustment in respect of previous period	(788)	5
Total deferred tax (note 16)	1,254	810
Total tax	<u>1,254</u>	<u>805</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is the lower than (2019: higher) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £'000	2019 £'000
Profit before tax	9,800	4,147
Profit before tax multiplied by standard rate of tax	1,862	788
Expenses not deductible	185	112
Impact of change in tax rate	(5)	(95)
Adjustment in respect of previous period	(788)	–
Tax on profit	<u>1,254</u>	<u>805</u>

Factors that may affect future tax expense

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. A rate of 19% has therefore been applied to the measurement of deferred tax balances at the Statement of Financial Position date. In the March 2021 Budget, the Government announced an intention to increase corporation tax to 25% from April 2023, subject to enactment. The Company is awaiting clarification of this and other proposed tax changes in order to make a reliable estimate of their potential impact.

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

10. Tangible assets

	Plant and machinery £'000	Wind farm restoration assets £'000	Total £'000
Cost			
At 1 October 2019	122,913	1,520	124,433
Disposals	(469)	–	(469)
At 30 September 2020	<u>122,444</u>	<u>1,520</u>	<u>123,964</u>
Accumulated depreciation			
At 1 October 2019	3,060	38	3,098
Charge for the year	6,122	76	6,198
At 30 September 2020	<u>9,182</u>	<u>114</u>	<u>9,296</u>
Carrying amount			
At 30 September 2020	<u>113,262</u>	<u>1,406</u>	<u>114,668</u>
At 30 September 2019	<u>119,853</u>	<u>1,482</u>	<u>121,335</u>

Included in the total costs of plant and machinery is £4,188,000 in respect of capitalised interest (2019: £4,414,000).

11. Debtors

	2020 £'000	2019 £'000
Trade debtors	857	1,498
Other debtors	263	109
Prepayments and accrued income	2,395	2,023
	<u>3,515</u>	<u>3,630</u>

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

12. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Banks loans (note 14)	7,203	5,986
Trade creditors	681	2
Amounts owed to Group undertakings	10,305	28,415
Corporation tax	–	4
Accruals and deferred income	3,300	5,707
	<u>21,489</u>	<u>40,114</u>

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

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

	2020 £'000	2019 £'000
Bank loans (note 14)	88,384	96,153
Derivative financial liabilities (note 17)	640	436
	<u>89,024</u>	<u>96,589</u>

14. Loans

An analysis of the maturity of bank loans is given below:

	2020 £'000	2019 £'000
Repayable in one year or less	7,203	5,986
Repayable within one to two years	7,173	6,668
Repayable between three and five years	20,934	19,694
Repayable after five years	60,277	69,791
	<u>95,587</u>	<u>102,139</u>

The Company has borrowed both medium and long term bank loans. The medium term loan is repayable in variable annual instalments over 7 years commencing 30 September 2018. Interest rates are charged at 2.8%. The long term loan is also repayable in variable annual instalments over 17 years commencing 30 September. Interest rates are charged between 1.7% and 2.3%.

Figures shown are net of unamortised issue costs of £3,821,000 (2019: £4,215,000).

Bank loans are secured on the future income due under the power purchasing agreement dated 28 February 2017.

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

15. Provisions for liabilities

	Deferred tax (note 16) £'000	Site restoration £'000	Total £'000
At 1 October 2019	673	1,532	2,205
Charge against provision through the income statement (note 9)	1,254	–	1,254
Unwinding of discount	–	23	23
Recognised in other comprehensive income	(47)	–	(47)
At 30 September 2020	<u>1,880</u>	<u>1,555</u>	<u>3,435</u>

16. Deferred tax

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

	2020 £'000	2019 £'000
Included in provisions (note 15)	<u>1,880</u>	<u>673</u>

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

	2020 £'000	2019 £'000
On financial instruments through the hedging reserve	(122)	(74)
Fixed asset timing differences	4,997	2,934
Losses	(2,995)	(2,187)
	<u>1,880</u>	<u>673</u>

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

17. Financial instruments

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

	2020 £'000	2019 £'000
Financial liabilities measured at fair value through other comprehensive income		
Interest rate swap	(640)	(436)

All other financial assets and liabilities are measured at amortised cost.

The company has the following derivatives:-

Interest rate swaps to manage interest rate risk volatility.

The interest rate swaps are determined to be effective hedges and therefore movements in fair value of £204,000 (2019: £841,000) have been recognised in other comprehensive income.

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

18. Called up share capital

Issued, called up and fully paid

	2020 No.	£'000	2019 No.	£'000
Ordinary shares of £1 each	<u>1</u>	<u>–</u>	<u>1</u>	<u>–</u>

19. Reserves

Hedging reserve

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

Profit and loss account

This account represents cumulative profits and losses less dividends paid.

Banks Renewables (Kype Muir Wind Farm) Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

20. Operating leases

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

	2020	2019
	£'000	£'000
Not later than 1 year	719	706
Later than 1 year and not later than 5 years	2,877	2,825
Later than 5 years	13,330	13,974
	<u>16,926</u>	<u>17,505</u>

21. Related party disclosure

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

22. Contingent liabilities

There is a contingent liability to financial institutions amounting to £1,718,000 (2019: £2,038,000) in respect of counter indemnities for bonds granted to guarantee outstanding site costs of development.

The statutory financial statements include a full provision for all site restoration obligations.

23. Ultimate parent company

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