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COMPANY REGISTRATION NUMBER: 07043034

Banks Renewables (Heysham South Wind Farm) Limited

Financial Statements

30 September 2021



Banks Renewables (Heysham South Wind Farm) Limited

Financial Statements

Year ended 30 September 2021

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Banks Renewables (Heysham South Wind Farm) Limited

Corporate Information

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

Banks Renewables (Heysham South Wind Farm) Limited

Strategic Report

Year ended 30 September 2021

The directors present the Strategic Report for the year ended 30 September 2021.

Review of the business

Heysham Wind Farm is an onshore wind farm with three wind turbines each of 2.5 megawatt generating capacity has generated electricity throughout the year. The wind farm experienced very low wind speeds in the year and, as a result, turnover is much lower than the previous year. Site availability was reasonable. A dividend of £nil (2020: £nil) has been paid.

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

	2021	2020
	£000	£000
Turnover	2,038	2,711
Operating profit	975	1,553
Profit for the financial year	388	943
Shareholders' funds	3,037	2,836

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.

Contractual

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

Banks Renewables (Heysham South Wind Farm) Limited

Strategic Report *(continued)*

Year ended 30 September 2021

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 (PH Holdings) Limited group, the company and Group has adequate resources to continue in operational existence for the foreseeable future. Furthermore, Banks Renewables (PH 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 10 March 2022 and signed by order of the board by:



D J Martin
Company Secretary

Banks Renewables (Heysham South Wind Farm) Limited

Directors' Report

Year ended 30 September 2021

The directors present their report and the audited Financial Statements of the company for the year ended 30 September 2021.

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 during the year was electricity generation.

Directors

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

R J Dunkley
S Fisher

Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

Banks Renewables (Heysham South Wind Farm) Limited

Directors' Report *(continued)*

Year ended 30 September 2021

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.

Credit Risk

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

Liquidity Risk

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

Inflation risk

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

Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

Banks Renewables (Heysham South Wind Farm) Limited

Directors' Report *(continued)*

Year ended 30 September 2021

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Financial Statements 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, 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 responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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 10 March 2022 and signed by order of the board by:



D J Martin
Company Secretary
Company registration number: 07043034

Banks Renewables (Heysham South Wind Farm) Limited

Independent auditors' report to the members of Banks Renewables (Heysham South Wind Farm) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 September 2021 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: Statement of Financial Position as at 30 September 2021; the Income Statement, the Statement of Comprehensive Income and 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

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 when the financial statements are authorised for issue.

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.

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

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

Banks Renewables (Heysham South Wind Farm) Limited

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Banks Renewables (Heysham South Wind Farm) Limited

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

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to the income statement, or through management bias in manipulation of accounting estimates with the aim of improving performance. Audit procedures performed by the engagement team included:

- Inquiry of management and those charged with governance around actual and potential litigation claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries, in particular any journal entries with unusual account combination; and
- Challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

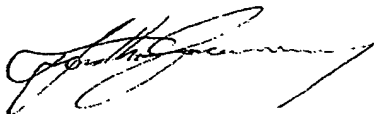
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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 Greensaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
10 March 2022

Banks Renewables (Heysham South Wind Farm) Limited

Income Statement

Year ended 30 September 2021

	Note	2021 £000	2020 £000
Turnover	4	2,038	2,711
Cost of sales		(1,026)	(1,055)
Gross profit		<u>1,012</u>	<u>1,656</u>
Administrative expenses		(100)	(103)
Other operating income		63	—
Operating profit	5	<u>975</u>	<u>1,553</u>
Finance costs	7	(230)	(314)
Profit before tax		<u>745</u>	<u>1,239</u>
Tax on profit	8	(357)	(296)
Profit for the financial year		<u><u>388</u></u>	<u><u>943</u></u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 26 form part of these Financial Statements.

Banks Renewables (Heysham South Wind Farm) Limited

Statement of Comprehensive Income

Year ended 30 September 2021

	2021	2020
	£000	£000
Profit for the financial year	388	943
Movement in derivative financial instruments	(252)	253
Deferred tax on movement in derivative financial instruments	65	(43)
Other comprehensive (expense)/income for the year	(187)	210
Total comprehensive income for the year	201	1,153

The notes on pages 14 to 26 form part of these Financial Statements.

Banks Renewables (Heysham South Wind Farm) Limited

Statement of Financial Position

30 September 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	9	14	16
Tangible assets	10	7,495	8,047
		<u>7,509</u>	<u>8,063</u>
Current assets			
Debtors	11	574	755
Cash at bank and in hand		125	124
		<u>699</u>	<u>879</u>
Creditors: amounts falling due within one year	12	(3,932)	(5,197)
Net current liabilities		<u>(3,233)</u>	<u>(4,318)</u>
Total assets less current liabilities		4,276	3,745
Creditors: amounts falling due after more than one year	13	(273)	(21)
Provisions for liabilities	14	(966)	(888)
Net assets		<u>3,037</u>	<u>2,836</u>
Capital and reserves			
Called up share capital	17	–	–
Hedging reserve	18	(206)	(19)
Profit and loss account	18	3,243	2,855
Total shareholders' funds		<u>3,037</u>	<u>2,836</u>

These Financial Statements on pages 10 to 26 were approved by the board of directors and authorised for issue on 10 March 2022, and are signed on behalf of the board by:



S Fisher
Director

The notes on pages 14 to 26 form part of these Financial Statements.

Banks Renewables (Heysham South Wind Farm) Limited

Statement of Changes in Equity

Year ended 30 September 2021

	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total £000
At 1 October 2019	–	(229)	1,912	1,683
Profit for the financial year	–	–	943	943
Other comprehensive income for the year:				
Movement in derivative financial instruments	–	253	–	253
Deferred tax on movement in derivative financial instruments	–	(43)	–	(43)
Total comprehensive income for the year	–	210	943	1,153
At 1 October 2020	–	(19)	2,855	2,836
Profit for the financial year	–	–	388	388
Other comprehensive (expense)/income for the year:				
Movement in derivative financial instruments	–	(252)	–	(252)
Deferred tax on movement in derivative financial instruments	–	65	–	65
Total comprehensive (expense)/income for the year	–	(187)	388	201
At 30 September 2021	–	(206)	3,243	3,037

The notes on pages 14 to 26 form part of these Financial Statements.

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

1. General information

Banks Renewables (Heysham South Wind Farm) Limited is a private company, limited by shares, 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 the Companies Act 2006 as applicable to companies using 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, except where adopted standards require an alternative treatment. The principal variations from the historical cost convention relate to derivative financial instruments which are measured at fair value through profit or loss. 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 (PH Holdings) Limited. Copies of Banks Renewables (PH 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 (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

(d) Judgements and key sources of estimation uncertainty

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

- Site restoration

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

(e) Debt issue costs

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

(f) Revenue recognition

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

Sale of electricity

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

Interest income

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

(g) Non-interest bearing loans

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

(h) Exceptional items

Exceptional items are disclosed separately in the Financial Statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

(i) Fundamental accounting concept

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. At the statement of financial position date the company had net current liabilities of £3,233,000 (2020: £4,318,000) and shareholders' funds of £3,037,000 (2020: £2,836,000). There are risks that the directors consider in deciding to prepare the financial statements on a going concern basis such as operating and pricing risks. The directors have considered the underlying strength of the operations and economics of the wind farm and the economic strength of the Banks Renewables (PH Holdings) Limited and thus the ability of the business to meet its ongoing obligations and of the Group to provide the necessary ongoing financial facilities to the company to support its operations. The directors have satisfied themselves that Banks Renewables (PH Holdings) Limited will provide the necessary level of ongoing financial support for at least a period of 12 months from the date of approval of these financial statements if required. Accordingly, the directors are satisfied that it is appropriate for the going concern basis to be used in preparing these financial statements.

(j) Taxation

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

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

(k) 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.

(l) Leasing contracts

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

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

(m) Intangible fixed assets

Amortisation is provided on a straight line basis to write off the cost of the asset over the length of the Power Purchasing Agreement which is 15 years commencing from the date of commissioning the wind turbines.

(n) 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. These are:

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

(o) Cash flow statement

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

(p) 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.

(q) 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.

(r) 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.

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

(s) Provisions

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

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

(t) 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 assets

Basic financial assets, including trade and other receivables, loans to related parties and cash and bank balance, are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from related parties 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.

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

(t) Financial instruments *(continued)*

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Derivative financial instruments and hedging activities

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

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

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

4. Turnover

Turnover arises from:

	2021 £000	2020 £000
Electricity generation	<u>2,038</u>	<u>2,711</u>

Turnover consists entirely of sales made to the United Kingdom.

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

5. Operating profit

Operating profit is stated after charging:

	2021	2020
	£000	£000
Amortisation of intangible assets	2	2
Depreciation of tangible assets – owned assets	552	552
Amortisation of capitalised interest (included in depreciation)	10	10
Operating lease rental for land	<u>120</u>	<u>151</u>

The company has no employees (2020: none).

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

6. Auditors' remuneration

	2021	2020
	£000	£000
Fees payable for the audit of the financial statements	<u>4</u>	<u>4</u>
Fees payable to the company's auditors and their associates for other services:		
Tax compliance services	<u>3</u>	<u>3</u>

7. Finance costs

	2021	2020
	£000	£000
Interest due to group undertakings	220	305
Amortisation of debt issue costs	7	6
Unwinding of discount provisions	2	3
Other finance costs	<u>1</u>	<u>–</u>
	<u>230</u>	<u>314</u>

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

8. Tax on profit

Major components of tax expense

The tax charge on the profit for the year was as follows:

	2021 £000	2020 £000
Current tax:		
Adjustment in respect of previous periods	216	–
Deferred tax:		
Impact of change in tax rate	207	51
Origination and reversal of timing differences	150	242
Adjustment in respect of prior periods	(216)	3
Total deferred tax (note 14)	141	296
Total tax expense	357	296

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £000	2020 £000
Profit before tax	744	1,239
Profit multiplied by standard rate of tax	141	235
Effect of expenses not deductible for tax purposes	8	7
Tax rate changes	208	51
Adjustment in respect of prior period	–	3
Tax on profit	357	296

Factors that may affect future tax expense

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The proposed increase in the corporation tax rate was substantively enacted on 24 May 2021 and therefore a corporation tax rate of 25% has been used to measure deferred tax assets and liabilities where applicable.

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

9. Intangible assets

	Power purchasing agreement costs £000
Cost	
At 1 October 2020 and 30 September 2021	25
Accumulated amortisation	
At 1 October 2020	9
Charge for the year	2
At 30 September 2021	11
Carrying amount	
At 30 September 2021	14
At 30 September 2020	16

10. Tangible assets

	Plant and machinery £000	Wind farm restoration assets £000	Total £000
Cost			
At 1 October 2020 and 30 September 2021	10,861	150	11,011
Accumulated depreciation			
At 1 October 2020	2,932	32	2,964
Charge for the year	544	8	552
At 30 September 2021	3,476	40	3,516
Carrying amount			
At 30 September 2021	7,385	110	7,495
At 30 September 2020	7,929	118	8,047

Included in the total cost of plant and machinery is £140,000 in respect of capitalised interest (2020: £150,000).

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

11. Debtors

	2021 £000	2020 £000
Trade debtors	136	176
Prepayments and accrued income	438	579
	<u>574</u>	<u>755</u>

12. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	–	3
Amounts owed to Group undertakings	3,798	4,996
Social security and other taxes	40	79
Accruals and deferred income	94	119
	<u>3,932</u>	<u>5,197</u>

Amounts due to group undertakings are unsecured, accrue interest at 5%, have no fixed date of repayment and are repayable on demand. Included within amounts owed to group undertakings is unamortised debt issue costs of £80,000 (2020: £87,000).

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

	2021 £000	2020 £000
Derivative financial liability	<u>273</u>	<u>21</u>

14. Provisions for liabilities

	Deferred tax (note 15) £000	Site restoration £000	Total £000
At 1 October 2020	719	169	888
Unwinding of discount	–	2	2
Charge against provision (note 8)	141	–	141
On financial instruments through the hedging reserve	(65)	–	(65)
At 30 September 2021	<u>795</u>	<u>171</u>	<u>966</u>

Site restoration

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

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

15. Deferred tax

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

	2021 £000	2020 £000
Included in provisions for liabilities (note 14)	795	719

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

	2021 £000	2020 £000
Fixed asset timing differences	1,079	841
Losses	(250)	(118)
Short term timing differences	(34)	(4)
	<u>795</u>	<u>719</u>

16. Financial instruments

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

	Note	2021 £'000	2020 £'000
Financial assets measured at amortised cost:			
Cash at bank and in hand		125	124
Trade debtors	11	136	176
		<u>261</u>	<u>300</u>
Financial liabilities measured at amortised cost:			
Trade creditors	12	–	3
Amounts owed to Group undertakings	12	3,798	4,996
Accruals and deferred income	12	94	119
		<u>3,892</u>	<u>5,118</u>
Financial assets /(liabilities) measured at fair value through other comprehensive income:			
RPI swaps	13	<u>(273)</u>	<u>(21)</u>

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

16. Financial instruments *(continued)*

The Company has the following derivatives:

Fair value through other comprehensive income

Inflation swaps to manage inflation risk volatility. The Company has entered into an inflation rate swap to receive at RPI and pay at 3.1%. The swap is based on a principal amount of the Company's initial group borrowings and matures on the same date as the back to back bank loans secured by the Parent Company.

The derivatives are determined to be effective hedges and therefore movements in fair value have been recognised in other comprehensive income. Cash flows are expected to occur over periods to 2033.

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

17. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>1</u>	<u>–</u>	<u>1</u>	<u>–</u>

18. 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 volatilities.

Profit and loss account

This account represents cumulative profits and losses less dividends paid.

19. Operating leases

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

	2021 £000	2020 £000
Not later than 1 year	74	70
Later than 1 year and not later than 5 years	342	281
Later than 5 years	<u>1,350</u>	<u>1,271</u>
	<u>1,766</u>	<u>1,622</u>

Banks Renewables (Heysham South Wind Farm) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

20. Related party disclosures

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

	2021	2020
	£000	£000
Purchases from related parties	100	100

Terms and conditions of transactions:

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

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

21. Ultimate parent company

The company is a wholly owned subsidiary of Banks Renewables (PH Finance) Limited which is itself a wholly owned subsidiary of Banks Renewables (PH Holdings) Limited the ultimate holding company. Both of these companies are incorporated in England. Banks Renewables (PH 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 (PH Holdings) Limited.