



COMPANY REGISTRATION NUMBER: 11269789

**Banks Renewables Holdings Limited**  
**Financial Statements**  
**30 September 2018**



# **Banks Renewables Holdings Limited**

## **Financial Statements**

**Year ended 30 September 2018**

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# **Banks Renewables Holdings Limited**

## **Corporate information**

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**The board of directors**

H J Banks  
R J Dunkley  
S Fisher

**Company secretary**

D J Martin

**Registered office**

Inkerman House  
St Johns Road  
Meadowfield  
Durham  
DH7 8XL

**Independent auditor**

Ernst & Young LLP  
Citygate  
St James Boulevard  
Newcastle upon Tyne  
NE1 4JD

**Bankers**

Santander  
Bootle  
Merseyside  
L30 4GB

# **Banks Renewables Holdings Limited**

## **Chairman's Statement**

**Year ended 30 September 2018**

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I am pleased to present the new Banks Renewables Holdings Limited (the Group) annual report and financial statements.

In July the Company undertook a group reconstruction of its activities. This reconstruction resulted in the acquisition of Banks Renewables Limited from its former parent The Banks Group Limited. Prior to the acquisition, seven of the wind farms previously operated by the Banks Renewables Limited were transferred to three related groups with common shareholdings to the Company. Hook Moor and Lambs Hill wind farms were transferred to Banks Group Holdings Limited. Hazlehead, Marr and Armistead wind farms were transferred to Banks Renewables (HMA Holdings) Limited. Penny Hill and Heysham South wind farms were transferred to Banks Renewables (PH Holdings) Limited.

As these transactions were between businesses with common control, the Company has applied merger accounting principles to these entities. Consequently, the Group accounts are prepared on the basis that only entities within the Group after the reconstruction have been included in the results and financial position. Furthermore, such entities have been included on the basis that they were combined at the start of the financial year to aid comparability.

This group includes three wind farms under construction that were either complete or partially complete by the year end. The Group's Moor House wind farm was completed in the year and now provides it with 12MW of generating capacity. Since the year end our Middle Muir wind farm with 51MW capacity has been brought into operation and our Kype Muir wind farm with 88MW capacity is nearing completion.

With these new wind farms coming on line revenues in the next two financial years are expected to increase significantly.

Further wind farm schemes are being brought forward by the Group to support significant future growth in wind generation capacity and other technologies are being assessed to complement these schemes.

The Board believes the Group to be in good shape to maximise the opportunities available from the markets in which we operate, and for results to remain strong.



H J Banks

28 March 2019

# **Banks Renewables Holdings Limited**

## **Strategic Report**

**Year ended 30 September 2018**

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The directors present the Strategic Report for the year ended 30 September 2018.

### **Results, trading and dividend**

On 27 July 2018 the Company acquired the entire share capital of Banks Renewables Limited through a share for share exchange. The transaction represents a group reconstruction and the Company has taken advantage of the provisions of FRS 102 relating to such transactions to account for consolidation of the resulting group under merger accounting principles. Accordingly, the Group financial statements have been prepared on the basis that all of the group entities were combined from the start of the financial year.

The results for the year and the financial position of the group are as shown in the financial statements set out from page 12. The Company has not paid a dividend.

### **Review of business**

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

	2018 £000	2017 £000
Turnover	2,405	188
Operating loss	(3,403)	(3,479)
Loss before tax excluding exceptional profit on sale of wind farm companies	(995)	(4,891)
Profit/(loss) after tax for the financial period	16,485	(4,159)

The Group's revenue in the current year is derived from the operation of Moor House wind farm, a 12MW wind farm in the north of England. Moor House commenced operations in the year.

Profit after tax in 2018 includes £16.5m of gain generated on the sale of companies whose business incorporates two wind farms from the group in the period to a related entity, The Banks Group Limited.

The Group has two further wind farms under construction in Scotland: Kype Muir wind farm and Middle Muir wind farm. The total combined generating capacity of these wind farms will be 139MW. Middle Muir was completed in December 2018 and Kype Muir is expected to be completed in Spring 2019.

The Group expects improvements to its underlying performance once these wind farms become fully operational.

The Group has a further number of wind farms under development. These have a potential aggregate capacity of 207MW.

In December 2018 planning consent for the group's Birneyknowe wind farm under development near Hawick was rejected. The group has reviewed this decision and has concluded that further development at this site should be ceased. Accordingly the assets carried on the balance sheet relating to this project have been written off in the financial statements resulting in a charge of £695,000.

The realisable value from the Company's holdings in its wind farm portfolio would significantly exceed the investment cost recorded on the statement of financial position.

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# **Banks Renewables Holdings Limited**

## **Strategic Report *(continued)***

**Year ended 30 September 2018**

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### **Future developments**

The Group will continue to operate and develop its wind farms for the foreseeable future.

### **Principal risks and uncertainties**

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

#### Safety

Given the nature of the Group's activities in operating windfarms, the health and safety of employees, contractors and the general public is of paramount importance. The Group'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 Group is ensuring that energy generated from its wind farms can be sold in the market. This is mitigated through the use of long term power purchase agreements. Other financial risks include credit, liquidity and interest rate risks. These are dealt with in the Directors' Report.

#### Contractual

In the course of its normal trading activities the Group has entered into contracts to provide energy to electricity supply companies operating in the UK energy market. These contracts have been reviewed to ensure that no undue contractual risk exposure is created for the Group. Adequate and appropriate insurance cover is maintained at all times in respect of all activities undertaken by the Group.

#### Planning approval risk

The UK planning regime affects the Group's business and any major changes could affect it either positively or negatively. Where individual wind farm sites are assessed as no longer being likely to achieve planning consent, the costs associated with those sites are written off.

#### Political risk

At present the UK government is not permitting new onshore wind projects to bid into the Contracts for Difference auction process (being the principal source of revenue security available to wind farm developers). Clarification on future policy is required to ensure the continued development of the Group's other potential wind farm sites in which it is seeking planning determination, which has also been adversely affected by government policy changes.

#### Restoration liabilities

An obligation to incur restoration costs arises on the commencement of site operations. The cost of the restoration liabilities is estimated based on the expected costs of dismantling the turbines and restoring the ground conditions. The present value of the obligations is provided for in the financial statements and will be funded by the Group as the liabilities crystallise. The directors are confident of adequate funding being available to complete the Group's restoration liabilities.

# **Banks Renewables Holdings Limited**

## **Strategic Report** *(continued)*

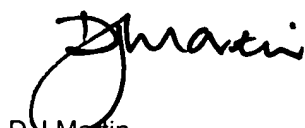
**Year ended 30 September 2018**

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### Operational risk - UK withdrawal from the EU

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

This report was approved by the board of directors on 28 March 2019 and signed on behalf of the board by:



D J Martin  
Company Secretary

# **Banks Renewables Holdings Limited**

## **Directors' Report** *(continued)*

### **Year ended 30 September 2018**

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The directors present their report and the Financial Statements of the group for the year ended 30 September 2018.

The company has chosen in accordance with Section 414C(ii) 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
- Future developments
- Principal risks and uncertainties

#### **Incorporation and change of name**

The Company was incorporated on 22 March 2018 under the name Timec 1638 Limited. Its name was changed to Banks Renewables Holdings Limited on 24 October 2018.

#### **Directors**

The directors who served the company during the year were as follows:

H J Banks	(Appointed 10 July 2018)
R J Dunkley	(Appointed 10 July 2018)
S Fisher	(Appointed 10 July 2018)
A J Davison	(Served from 22 March 2018 to 10 July 2018)

There has been no change between the year end and the date of approval of the financial statements.

#### **Dividends**

No dividends have been paid by the Company during the current year. No dividends were paid during the prior year.

#### **Financial management risks**

##### Credit Risk

The Group has entered into contractual agreements with customers to sell the electricity it generates. It is group policy to investigate the credit worthiness of all customers prior to entering any contracts. To mitigate credit risk, the directors satisfy themselves as to the customers' 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 Group's principal assets are financed by borrowings from external lenders. Liquidity risk is mitigated by maintaining sufficient available cash resources to meet its ongoing and expected needs. The directors expect that the wind farms will continue to generate sufficient cash flows to repay any debt obligations as they fall due.

##### Interest Rate Risk

The Group has interest rate swap contracts in place to mitigate its exposure to floating rate interest incurred on its external borrowings.

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# **Banks Renewables Holdings Limited**

## **Directors' Report** *(continued)*

**Year ended 30 September 2018**

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### Going concern

The directors have considered the Group's current and future prospects and its availability of financing, and are satisfied that the Group 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.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Auditors**

Ernst and Young LLP were auditors of the Group during the year and have expressed their willingness to continue in office.

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# **Banks Renewables Holdings Limited**

## **Directors' Report** *(continued)*

**Year ended 30 September 2018**

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This report was approved by the board of directors on 28 March 2019 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'D J Martin', with a large, stylized loop at the beginning.

D J Martin  
Company Secretary

## **Independent Auditor's Report to the Members of Banks Renewables Holdings Limited**

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### **Opinion**

We have audited the financial statements of Banks Renewables Holdings Limited ('the parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2018 which comprise of the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's affairs as at 30th September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the 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.

## **Independent Auditor's Report to the Members of Banks Renewables Holdings Limited (continued)**

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### **Other information**

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which financial statements are prepared is consistent with the financial statements and,
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

## **Independent Auditor's Report to the Members of Banks Renewables Holdings Limited (continued)**

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### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

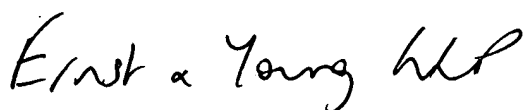
### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sandra Thompson (Senior Statutory Auditor)  
For and on behalf of  
Ernst & Young LLP (Statutory auditor)  
Newcastle upon Tyne

31 March 2019

# Banks Renewables Holdings Limited

## Group Income Statement

Year ended 30 September 2018

	Note	2018 £000	2017 £000
<b>Turnover</b>	<b>4</b>	2,405	188
Cost of sales – recurring		(1,821)	(321)
Cost of sales – exceptional item	<b>8</b>	(695)	–
<b>Total Cost of sales</b>		<u>(2,516)</u>	<u>(321)</u>
<b>Gross loss</b>		<u>(111)</u>	<u>(133)</u>
Administrative expenses		(3,292)	(3,346)
<b>Operating loss</b>	<b>5</b>	<u>(3,403)</u>	<u>(3,479)</u>
Profit on sale of wind farm companies	<b>8</b>	16,500	–
Income from shares in related undertakings	<b>9</b>	6,174	–
Finance income	<b>10</b>	38	90
Finance costs	<b>11</b>	<u>(3,804)</u>	<u>(1,502)</u>
<b>Profit/(loss) before taxation</b>		15,505	(4,891)
Taxation	<b>12</b>	<u>980</u>	<u>732</u>
<b>Profit/(loss) for the financial year</b>		<u>16,485</u>	<u>(4,159)</u>

All the activities of the group are from continuing operations.

The notes on pages 19 to 39 form part of these Financial Statements.

**Banks Renewables Holdings Limited**  
**Group Statement of Comprehensive Income**  
**Year ended 30 September 2018**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Profit/(loss) for the financial year	16,485	(4,159)
Movement on derivative financial instruments	(1,550)	2,826
Deferred tax on movement in derivative financial instruments	264	(480)
<b>Other comprehensive income for the year</b>	<u>(1,286)</u>	<u>2,346</u>
<b>Total comprehensive income for the year</b>	<u>15,199</u>	<u>(1,813)</u>

The notes on pages 19 to 39 form part of these Financial Statements.

# Banks Renewables Holdings Limited

## Group Statement of Financial Position

30 September 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible fixed assets	13	162,982	82,639
Investments	14	30	1,921
		<u>163,012</u>	<u>84,560</u>
<b>Current assets</b>			
Stocks	15	1,903	2,317
Debtors	16	8,855	9,734
Cash at bank and in hand		31,178	9,796
		<u>41,936</u>	<u>21,847</u>
<b>Creditors: amounts falling due within one year</b>	17	(52,323)	(74,110)
<b>Net current liabilities</b>		<u>(10,387)</u>	<u>(52,263)</u>
<b>Total assets less current liabilities</b>		152,625	32,297
<b>Creditors: amounts falling due after more than one year</b>	18	(150,657)	(45,843)
<b>Provisions</b>	20	(315)	–
<b>Net assets/(liabilities)</b>		<u>1,653</u>	<u>(13,546)</u>
<b>Capital and reserves</b>			
Called up share capital	23	2,205	2,205
Hedging reserve	24	1,060	2,346
Merger reserve	24	(2,205)	(2,205)
Profit and loss reserve	24	593	(15,892)
<b>Shareholders' funds/(deficit)</b>		<u>1,653</u>	<u>(13,546)</u>

These Financial Statements were approved by the board of directors and authorised for issue on 28 March 2019, and are signed on behalf of the board by:



S Fisher  
Director

The notes on pages 19 to 39 form part of these Financial Statements.

# **Banks Renewables Holdings Limited**

## **Company Statement of Financial Position**

**30 September 2018**

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	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Investments	14	2,205	—
<b>Net assets</b>		<u>2,205</u>	<u>—</u>
<b>Capital and reserves</b>			
Called up share capital	23	2,205	—
<b>Shareholders' funds</b>		<u>2,205</u>	<u>—</u>

The profit for the financial year of the parent company was £Nil (2017: £Nil).

These Financial Statements were approved by the board of directors and authorised for issue on 28 March 2019, and are signed on behalf of the board by:



S Fisher  
Director

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The notes on pages 19 to 39 form part of these Financial Statements.

# Banks Renewables Holdings Limited

## Group Statement of Changes in Equity

Year ended 30 September 2018

	Called up share capital £000	Hedging reserve £000	Merger reserve £000	Profit and loss reserve £000	Total £000
<b>At 1 October 2016</b>	–	–	–	(11,733)	(11,733)
Group reconstruction	2,205	–	(2,205)	–	–
Loss for the year	–	–	–	(4,159)	(4,159)
Other comprehensive income for the year:					
Movement on derivative financial instruments	–	2,826	–	–	2,826
Deferred tax on movement in derivative financial instruments	–	(480)	–	–	(480)
<b>Total comprehensive income for the year</b>	–	2,346	–	(4,159)	(1,813)
<b>At 30 September 2017</b>	2,205	2,346	(2,205)	(15,892)	(13,546)
Profit for the year	–	–	–	16,485	16,485
Other comprehensive income for the year:					
Movement on derivative financial instruments	–	(1,550)	–	–	(1,550)
Deferred tax on movement in derivative financial instruments	–	264	–	–	264
<b>Total comprehensive income for the year</b>	–	(1,286)	–	16,485	15,199
<b>At 30 September 2018</b>	<u>2,205</u>	<u>1,060</u>	<u>(2,205)</u>	<u>593</u>	<u>1,653</u>

The notes on pages 19 to 39 form part of these Financial Statements.

# **Banks Renewables Holdings Limited**

## **Company Statement of Changes in Equity**

**Year ended 30 September 2018**

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	Called up share capital £000	Profit and loss reserve £000	<b>Total £000</b>
<b>At 1 October 2016 and 1 October 2017</b>	–	–	–
Profit for the year	–	–	–
Issue of shares	2,205	–	2,205
<b>Total investments by and distributions to owners</b>	2,205	–	2,205
<b>At 30 September 2018</b>	<u>2,205</u>	<u>–</u>	<u>2,205</u>

The notes on pages 19 to 39 form part of these Financial Statements.

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# Banks Renewables Holdings Limited

## Group Statement of Cash Flows

Year ended 30 September 2018

	Note	2018 £000	2017 £000
Net cash (outflow)/ inflow from operating activities	25	<u>(2,240)</u>	<u>28,253</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets		(83,279)	(68,742)
Interest received		<u>38</u>	<u>90</u>
Net cash used in investing activities		<u>(83,241)</u>	<u>(68,652)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		109,321	51,199
Interest paid		<u>(2,458)</u>	<u>(1,714)</u>
Net cash from financing activities		<u>106,863</u>	<u>49,485</u>
<b>Net increase in cash and cash equivalents</b>		21,382	9,086
<b>Cash and cash equivalents at beginning of year</b>		<u>9,796</u>	<u>710</u>
<b>Cash and cash equivalents at end of year</b>		<u>31,178</u>	<u>9,796</u>

The notes on pages 19 to 39 form part of these Financial Statements.

# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements**

**Year ended 30 September 2018**

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### **1. General information**

Banks Renewables Holdings Limited is a limited company, limited by shares, incorporated in England. Banks Renewables Holdings Limited (previously TIMEC 1638 Limited) was incorporated on the 22 March 2018. The Registered Office is Inkerman House, St. John's Road, Meadowfield, Durham, DH7 8XL.

The Company acquired the entire share capital in Banks Renewables Limited, which is represented by £2 in share capital. The consideration given by the Company to acquire that business was the issue of £2,204,832 in ordinary shares. The difference between these two amounts has been recorded in the Merger Reserve and the application of merger accounting principles results in presenting the issue of shares to effect the group reconstruction on the basis of them having been issued in the prior period.

### **2. Statement of compliance**

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

### **3. Accounting policies**

#### **(a) Basis of preparation**

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

#### **(b) Exemption from audit**

The directors have taken advantage of the exemption from the requirement to have the financial statements for the year ended 30 September 2018, for certain of its subsidiaries listed below to be audited. They confirm that for the year ended 30 September 2018 the subsidiaries were entitled to the exemption relating to audit of the accounts under section 479A of The Companies Act 2006.

Subsidiaries exempt from audit under section 479A:

Company name and company number

Banks Renewables (Bandirran Wind Farm) Limited - 08231487  
Banks Renewables (Birneyknowe Wind Farm) Limited - 06903043  
Banks Renewables (Harting Rig Wind Farm) Limited - 08791006  
Banks Renewables (High Cumnock Wind Farm) Limited - 07767076  
Banks Renewables (Knockendurrick Wind Farm) Limited - 07767049  
Banks Renewables (Lethans East Wind Farm) Limited - 08332209  
Banks Renewables (Lethans Wind Farm) Limited - 08217768  
Banks Renewables (Mill Rig Wind Farm) Limited - 09773091  
Banks Renewables (Sauchanwood Hill Wind Farm) Limited - 08464595  
Banks Renewables (Penny Hill Solar Farm) Limited - 09635629  
H J Banks (Renewable Energy) Limited - 06575533

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# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements *(continued)***

**Year ended 30 September 2018**

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### **(c) Disclosure exemptions**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements.

The Group has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 11 Basic Financial Instruments paragraphs 11.41 to 11.48(c)
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.19A;
- the requirements of Section 33 Related Party Disclosures paragraphs 33.1A and 33.7.

### **(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The Group has applied the merger method of accounting within these consolidated financial statements. Included within these consolidated financial statements, is the following:

- the income and expenditure of the undertakings acquired for the entire financial year, including the period before the acquisition
- the corresponding amounts relating to the financial year as if the undertaking acquired had been included in the consolidation throughout that year

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

All the subsidiaries have the same year end as the parent company.

### **(e) Pensions**

Assets of the defined contribution pension schemes are held separately from those of the Group in independently administered funds. Pension contributions are charged to the income statement in the year to which they relate.

# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements *(continued)***

**Year ended 30 September 2018**

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### **3. Accounting policies *(continued)***

#### **(f) 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.

#### **(g) 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.

#### **(h) 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
- Work in progress

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

#### **(i) Non-interest bearing loans**

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

# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements** *(continued)*

**Year ended 30 September 2018**

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### **3. Accounting policies** *(continued)*

#### **(j) 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.

##### **Dividends**

Revenue is recognised when the company's right to receive payment is established.

#### **(k) 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.

#### **(l) 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.

#### **(m) 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.

# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements** *(continued)*

**Year ended 30 September 2018**

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### **3. Accounting policies** *(continued)*

#### **(n) 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.

#### **(o) Tangible fixed assets**

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Assets in course of development comprise options for leases and directly associated costs for wind farm sites in development. No depreciation is charged until the wind farm is commissioned.

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 - 3 to 20 years

Freehold land is not depreciated.

#### **(p) Investments**

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

#### **(q) Work in progress**

Work in progress represents wind farm developments and is valued at the lower of cost or net realisable value, with net present value forming the key judgement of the business. Cost includes all direct expenditure and development cost in pursuing planning consents. Net realisable value is based on directors' assessment of the net present value of the estimated future selling price less any further costs expected to be incurred to completion and disposal.

# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements *(continued)***

**Year ended 30 September 2018**

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### **3. Accounting policies *(continued)***

#### **(r) Site restoration**

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

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

#### **(s) 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.

#### **(t) Merger reserve**

FRS 102.19.6 requires that all business combinations should be accounted for by applying the purchase method except for group reconstructions which may be accounted for using the merger accounting method. Under merger accounting, the carrying values of the assets and liabilities of the parties to the combination are not adjusted to fair value on consolidation. Any difference between the cost of investment and the nominal value of the share capital acquired is put to a merger reserve.

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 3. Accounting policies *(continued)*

#### (u) 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.

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.

#### (v) Derivative financial instruments and hedging activities

The Group 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 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:

	2018 £000	2017 £000
Site management services	294	141
Electricity generation	2,037	—
Rental income	74	47
	<u>2,405</u>	<u>188</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 4. Turnover *(continued)*

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

### 5. Operating loss

Operating loss is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets (owned assets)	610	21
Operating lease rentals	47	61
Foreign exchange differences	5	14
Amortisation of capitalised interest (included within depreciation)	11	–
Operating lease rental for land	<u>564</u>	<u>70</u>

### 6. Auditor's remuneration

	2018 £000	2017 £000
Audit of the financial statements - company and consolidation	8	–
Audit of the subsidiaries	<u>20</u>	<u>5</u>
Total audit fees payable	<u>28</u>	<u>5</u>
Fees payable for taxation compliance and advisory services	<u>5</u>	<u>4</u>

### 7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2018 No.	2017 No.
Number of office and management staff	<u>10</u>	<u>10</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 7. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018 £000	2017 £000
Wages and salaries	547	570
Social security costs	53	49
Other pension costs	19	14
	<u>619</u>	<u>633</u>

The directors of the company are also directors of The Banks Group Limited, a related party. 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.

### 8. Exceptional items

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Profit on disposal of subsidiaries	16,500	—	—	—
Work in progress site write off	(695)	—	—	—
	<u>15,805</u>	<u>—</u>	<u>—</u>	<u>—</u>

In July 2018 the Group sold its interest in Banks Renewables (HL Holdings) Limited (which includes two wind farms) to Banks Group Limited, a related party. The consideration received was £16,500,000 with a corresponding profit on sale. Banks Renewables (HL Holdings) Limited owns the Hook Moor and Lambs Hill wind farms.

In December 2018 planning consent for the group's Birneyknowe wind farm under development near Hawick was rejected. The group has reviewed this decision and has concluded that further development at this site should be ceased. Accordingly the assets carried on the balance sheet relating to this project have been written off in the financial statements resulting in a charge of £695,000.

### 9. Income from shares in related undertakings

	2018 £000	2017 £000
Dividends from related undertakings	<u>6,174</u>	<u>—</u>

In the period to 27 July 2018, the company owned the entire share capital in seven wind farms and their immediate parent undertakings that were transferred out of the group as part of the group reconstruction explained in note 31. Prior to the transfer dividends were received from these undertakings amounting to £6,174,000.

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 10. Finance income

	2018 £000	2017 £000
Interest from related parties	–	77
Interest receivable	38	13
	<u>38</u>	<u>90</u>

### 11. Finance costs

	2018 £000	2017 £000
Interest on loans from financial institutions	276	–
Interest due to related parties	1,721	1,502
Other interest payable and similar charges	1,776	–
Amortisation of debt issue costs	31	–
	<u>3,804</u>	<u>1,502</u>

Included within other interest payable is £1,776,000 charged on settlement of related party loans.

### 12. Taxation

#### Major components of tax credit

The tax credit on the profit/(loss) on ordinary activities for the year was as follows:

	2018 £000	2017 £000
<b>Current tax:</b>		
Corporation tax charge	(621)	836
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(355)	(1,568)
Impact of change in tax rate	(2)	–
Adjustment in respect of prior periods	(2)	–
Total deferred tax	<u>(359)</u>	<u>(1,568)</u>
<b>Taxation credit</b>	<u>(980)</u>	<u>(732)</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 12. Taxation *(continued)*

#### Reconciliation of tax credit

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.50%).

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before taxation	15,505	(4,891)
Profit/(loss) on ordinary activities multiplied by the standard rate of tax in the UK of 19% (2017:19.50%)	2,946	(954)
Effect of expenses not deductible for tax purposes	14	(14)
Tax rate changes and differentials	42	230
Other	339	6
Non taxable dividend income	(3,135)	–
Profit on sale of wind farm companies	(1,174)	–
Effect of group relief	(12)	–
Total tax credit	(980)	(732)

#### Factors that may affect future tax income

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

### 13. Tangible fixed assets

Group	Freehold property £000	Plant and machinery £000	Wind farm restoration assets £000	Assets in course of construction £000	Total £000
<b>Cost</b>					
At 1 October 2017	40	238	–	82,518	82,796
Additions	–	–	315	81,189	81,504
Disposals	–	–	–	(551)	(551)
Transfers	–	17,357	–	(17,357)	–
<b>At 30 September 2018</b>	<b>40</b>	<b>17,595</b>	<b>315</b>	<b>145,799</b>	<b>163,749</b>
<b>Depreciation</b>					
At 1 October 2017	–	157	–	–	157
Charge for the year	–	600	10	–	610
<b>At 30 September 2018</b>	<b>–</b>	<b>757</b>	<b>10</b>	<b>–</b>	<b>767</b>
<b>Carrying amount</b>					
<b>At 30 September 2018</b>	<b>40</b>	<b>16,838</b>	<b>305</b>	<b>145,799</b>	<b>162,982</b>
At 30 September 2017	40	81	–	82,518	82,639

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 13. Tangible fixed assets *(continued)*

The company has no tangible fixed assets.

Included in the total costs of plant and machinery is £5,076,000 in respect of capitalised interest, of which £3,626,000 was capitalised in the year.

### 14. Investments

Group	Investment in related undertakings £000	Other investments other than loans £000	Total £000
<b>Cost</b>			
At 1 October 2017	1,891	30	1,921
Disposals	(1,891)	—	(1,891)
<b>At 30 September 2018</b>	<u>—</u>	<u>30</u>	<u>30</u>
<b>Impairment</b>			
At 1 October 2017 and 30 September 2018	<u>—</u>	<u>—</u>	<u>—</u>
<b>Carrying amount</b>			
At 30 September 2018	<u>—</u>	<u>30</u>	<u>30</u>
At 30 September 2017	<u>1,891</u>	<u>30</u>	<u>1,921</u>

On termination of related party loan arrangements in the year the related investment balance in connection with such loans has been written off in full. There are no further amounts receivable in connection with such loans.

Company	Shares in group undertakings £000
<b>Cost</b>	
At 1 October 2017	—
Additions	2,205
<b>At 30 September 2018</b>	<u>2,205</u>
<b>Impairment</b>	
At 1 October 2017 and 30 September 2018	<u>—</u>
<b>Carrying amount</b>	
At 30 September 2018	<u>2,205</u>
At 30 September 2017	<u>—</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 14. Investments *(continued)*

#### Investment in related undertakings

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
<b>Subsidiary undertakings and principal activity</b>		
Banks Renewables Limited - (Development company)	Ordinary	100
KMH Holdings Limited - (Holding company)	Ordinary	100
KMH Finance Limited - (Financing company)	Ordinary	100
Banks Renewables (Kype Muir Wind Farm) Limited - (Wind Farm under construction)	Ordinary	100
Banks Renewables (Moor House Wind Farm) Limited - (Operational Wind Farm)	Ordinary	100
Banks Renewables (Middle Muir Wind Farm) Limited - (Wind Farm under construction)	Ordinary	100

In addition Banks Renewables has 11 subsidiaries (listed on page 19). All have the principal activity of wind farm development and are incorporated in England.

All the subsidiaries were incorporated in England.

The registered office of all subsidiaries is Inkerman House, St. John's Road, Meadowfield, Durham, DH7 8XL.

The results of the subsidiaries are included within the group consolidated accounts.

In July 2018 the Group sold its interest in Banks Renewables (HL Holdings) Limited (which includes two wind farms) to Banks Group Limited, a related party. The consideration received was £16,500,000 with a corresponding profit on sale. Banks Renewables (HL Holdings) Limited owns the Hook Moor and Lambs Hill wind farms.

### 15. Stocks

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Work in progress	<u>1,903</u>	<u>2,317</u>	<u>—</u>	<u>—</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 16. Debtors

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Trade debtors	338	26	—	—
Prepayments and accrued income	474	91	—	—
Derivative financial assets	1,276	2,826	—	—
Corporation tax	481	73	—	—
Deferred tax asset (note 21)	1,774	1,151	—	—
Other debtors	4,512	5,567	—	—
	<u>8,855</u>	<u>9,734</u>	<u>—</u>	<u>—</u>

### 17. Creditors: amounts falling due within one year

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Bank loans	3,653	—	—	—
Trade creditors	3,860	11,191	—	—
Accruals and deferred income	1,275	833	—	—
Corporation tax	9	466	—	—
Other creditors	43,526	61,620	—	—
	<u>52,323</u>	<u>74,110</u>	<u>—</u>	<u>—</u>

### 18. Creditors: amounts falling due after more than one year

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Loans from financial institutions	<u>150,657</u>	<u>45,843</u>	<u>—</u>	<u>—</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 19. Loans

An analysis of the maturity of loans from financial institutions is given below:

	2018 £000	2017 £000
Repayable in one year or less	3,653	–
Repayable within one to two years	11,902	3,986
Repayable between three and five years	36,840	24,033
Repayable after five years	101,915	17,824
	<u>154,310</u>	<u>45,843</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 15 years commencing 30 September. Interest rates are charged between 1.7% and 3.9%

Figures shown are net of unamortised issue costs of £6,211,000 (2017: £5,356,000).

### 20. Provisions

Group	Site restoration £000
At 1 October 2017	–
Additions	315
<b>At 30 September 2018</b>	<b><u>315</u></b>

The company does not have any provisions.

#### 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 Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 21. Deferred tax

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

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Included in debtors	<u>1,774</u>	<u>1,151</u>	<u>–</u>	<u>–</u>

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

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Fixed asset timing differences	(229)	13	–	–
Short term timing differences	2,064	1,618	–	–
Losses	155	–	–	–
On financial instruments through the hedging reserve	<u>(216)</u>	<u>(480)</u>	<u>–</u>	<u>–</u>
	<u>1,774</u>	<u>1,151</u>	<u>–</u>	<u>–</u>

Movement in deferred tax asset

#### Group

	£000
1 October 2017	1,151
Credited to the income statement	359
Recognised in other comprehensive income	264
At 30 September	<u>1,774</u>

The credit movement on financial instruments through the hedging reserve of £264,000 (2017:debit £480,000) is shown in the Statement of Comprehensive Income and the Statement of Changes in Equity.

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 22. Derivative financial instruments and hedging activities

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

#### Financial assets measured at fair value through reserves

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Interest rate swaps	681	264	–	–
Foreign exchange swaps	595	2,562	–	–
	<u>1,276</u>	<u>2,826</u>	<u>–</u>	<u>–</u>

The Group has the following derivatives:-

Interest rate swaps to manage interest rate risk volatility and forward foreign currency hedge contracts to hedge currency exposure on firm future commitments.

The reduction in the year of £1,550,000 (2017: increase of £2,826,000) has 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.

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

All other financial assets are measured at amortised cost.

### 23. Called up share capital

#### Issued, called up and fully paid

	2018 No.	£000	2017 No.	£000
Group				
Ordinary share capital of £1 each	<u>2,204,832</u>	<u>2,205</u>	<u>2,204,832</u>	<u>2,205</u>
Company				
Issued in the year (note 31)	<u>2,204,832</u>	<u>2,205</u>	<u>–</u>	<u>–</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

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### 24. 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 and exchange rate volatility

#### Merger reserve

This reserve represents the difference between the nominal value of shares issued to acquire Banks Renewables Limited (£2,204,832) and the nominal value of the shares received in exchange (£2). This is further explained in note 31.

#### Profit and loss reserve

This reserve represents cumulative profits and losses.

### 25. Net cash (outflow)/ inflow from operating activities

Reconciliation of profit/ (loss) to net cash inflow from operating activities

	2018 £000	2017 £000
Profit/(loss) for the financial year	16,485	(4,159)
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	610	21
Finance income	(38)	(90)
Finance costs	3,804	1,502
<i>Working capital movements:</i>		
Stocks	414	5,369
Trade and other debtors	(49)	(4,917)
Trade and other creditors	(24,430)	31,629
Provisions	964	(1,102)
	<u>(2,240)</u>	<u>28,253</u>

# Banks Renewables Holdings Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

### 26. Operating leases

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

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Not later than 1 year	948	582	–	–
Later than 1 year and not later than 5 years	5,037	4,143	–	–
Later than 5 years	29,084	25,502	–	–
	<u>35,069</u>	<u>30,227</u>	<u>–</u>	<u>–</u>

### 27. Pension commitments

Group companies contribute to money purchase schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Pension contributions payable to the funds for the period amount to £19,000 (2017: £14,000). There were no outstanding contributions at 30 September 2018 (2017: nil).

### 28. Contingent liabilities

For VAT purposes a Group registration scheme was in operation with The Banks Group Limited, a related party. Under these arrangements there is a joint and several liability among the companies in the scheme for amounts owed to HM Revenue and Customs.

### 29. Related party transactions

#### Group

In addition to those transactions set out in note 31, the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into in both the current and prior year and trading balances outstanding as at the balance sheet date, are as follows:

	2018 £000	2017 £000
Sales to related parties	294	141
Amounts owed to related parties	43,529	61,620
Interest receivable from related parties	–	77
Settlement of related party loans (note 11)	1,776	–
Interest payable to related parties	1,721	1,502
Purchases from related parties	<u>2,385</u>	<u>2,458</u>

Terms and conditions of transactions:

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

# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements** *(continued)*

**Year ended 30 September 2018**

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### **29. Related party transactions** *(continued)*

#### **Company**

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.

#### **Key management personnel**

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. The directors of the company are also directors of 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.

### **30. Ultimate controlling party**

Mr H J Banks is the controlling party by virtue of his controlling interest in the equity share capital of Banks Renewables Holdings Limited.

# **Banks Renewables Holdings Limited**

## **Notes to the Financial Statements *(continued)***

**Year ended 30 September 2018**

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### **31. Merger of businesses**

On 27 July 2018 the Company acquired the entire share capital of Banks Renewables Limited through a share for share exchange. Concurrent with this transaction Banks Renewables Limited transferred seven operating wind farm subsidiaries to connected undertakings with common ownership.

FRS 102.19.6 requires that all business combinations should be accounted for by applying the purchase method except for group reconstructions which may be accounted for using the merger accounting method. As the ultimate ownership of the Company and Banks Renewables Limited is the same both before and after the group reconstruction, the resulting combination has been accounted for as a merger.

The transaction was effected as follows:

1. Banks Renewables Limited transferred its shares in Banks Renewables (Hazlehead Wind Farm) Limited, Banks Renewables (Marr Wind Farm) Limited and Banks Renewables (Armistead Wind Farm) Limited to its subsidiary, Banks Renewables (HMA Finance) Limited in consideration for £18,000,000 shares issued to Banks Renewables Limited.
2. Banks Renewables Limited transferred its shares in Banks Renewables (Penny Hill Wind Farm) Limited and Banks Renewables (Heysham South Wind Farm) Limited to its subsidiary, Banks Renewables (PH Finance) Limited in consideration for £16,000,000 shares issued to Banks Renewables Limited.
3. Banks Renewables Limited transferred its shares in Banks Renewables (Hook Moor Wind Farm) Limited and Banks Renewables (Lambs Hill Wind Farm) Limited to its subsidiary, Banks Renewables (HL Finance) Limited in consideration for £13,200,000 shares issued to Banks Renewables limited.
4. Banks Renewables Limited sold its interest in Banks Renewables (HL Finance) Limited to Banks Group Limited, a related party undertaking, for £16,500,000, settled through the parties current account.
5. Banks Renewables (HMA Finance) Limited and Banks Renewables (PH Finance) Limited were transferred from Banks Renewables Limited to its parent undertaking, TimeC1641 Limited, by way of a dividend in specie.
6. Banks Renewables Limited was transferred from TimeC1641 Limited to the Company for consideration by the Company of £2,204,832 shares issued to the common shareholders of TimeC1641 Limited and the Company.

The share capital in Banks Renewables Limited is £2 of ordinary shares. The consideration given by the Company was the issue of £2,204,832 in ordinary shares. The difference between these two amounts has been recorded in the Merger Reserve.

Further details of the companies acquired through the group reconstruction are set out in note 14.