

# **Brockloch Rig Windfarm Limited**

Annual report and financial statements

Registered number SC149100

31 December 2018

WEDNESDAY



\*S8ATVFBD\*

SCT

31/07/2019

#242

COMPANIES HOUSE

## **Contents**

|                                                                                                          |    |
|----------------------------------------------------------------------------------------------------------|----|
| Strategic Report                                                                                         | 3  |
| Directors' Report                                                                                        | 4  |
| Statement of directors' responsibilities in respect of the Strategic Report and the financial statements | 5  |
| Independent auditor's report to the members of Brockloch Rig Windfarm Limited                            | 6  |
| Profit and Loss Account and Other Comprehensive Income                                                   | 9  |
| Balance Sheet                                                                                            | 10 |
| Statement of Changes in Equity                                                                           | 11 |
| Notes                                                                                                    | 12 |

## Strategic Report

The directors present their Strategic Report for the year ended 31 December 2018.

### PRINCIPAL ACTIVITIES AND TRADING REVIEW

In November 2017, Brockloch Rig became an operational and commissioned windfarm. As such, the principal activity of the Company became the operation of a wind farm. The profit for the year was £2,426k (2017: £1,873k). The Company's key financial performance indicators during the year were as follows:

|              | 2018    | 2017   |
|--------------|---------|--------|
|              | MwH     | MwH    |
| Generation   | 182,990 | 53,370 |
| Availability | %       | %      |
|              | 91.75   | N/A    |
|              | £'000   | £'000  |
| Turnover     | 18,724  | 4,404  |
| EBITDA       | 13,820  | 3,273  |

EBITDA represents earnings before interest, depreciation, amortisation and tax, and is the key financial metric used by management to judge the financial performance of the wind farm.

### RISKS AND UNCERTAINTIES

The principal aim of the Company is to maximise long term results whilst minimising risks. The directors identify and monitor risk on an ongoing basis to establish systems and processes to manage and mitigate those risks. The directors consider the following to be the major risks affecting the Company:

- Interest rates;
- Electricity price;
- Wind resource;
- Technological or mechanical failure;
- Recycle Fund Value; and
- Ability to provide electricity generation services.

Risks are mitigated by the use of long term power purchase agreements ("PPAs"), fixed rate borrowing facilities, insurance policies, and by entering into management services and maintenance contracts for on-going wind farm monitoring and servicing.

The impact on the Company of the UK exiting the European Union is considered to be low at this stage. The wind farm generates electricity and trades within the market it is located (GB electricity market with a European PPA offtaker). However, there remains uncertainty regarding the final outcome of Brexit. Depending on the outcome of Brexit, the key potential risk area for the Company is likely to be foreign exchange movements when sourcing strategic spares from Europe and timely access to spares in case of customs disruption. Management are continually monitoring this situation. Foreign exchange effects will be evaluated and managed through the normal course of business. Access to spare parts is considered a minor risk as suppliers have implemented contingency plans including increased UK stock levels in preparation for Brexit. Further mitigation would be implemented, if required, once more clarity is available.

By Order of the Board



S Sidhu  
Secretary

16 May 2019  
c/o Harper Macleod LLP, The Cadoro  
45 Gordon Street, Glasgow, G1 3PE

## **Directors' Report**

The directors have pleasure in submitting their financial statements and report for the year ended 31 December 2018.

### **Proposed dividend**

The directors paid a dividend of £4,250k (2017: £nil) in the year.

### **Directors**

The directors who held office during the year were as follows:

|             |                           |
|-------------|---------------------------|
| D Brunt     |                           |
| G Swales    | (resigned 30 April 2018)  |
| A Falkfjell | (resigned 30 April 2018)  |
| H Acquokoh  | (resigned 30 April 2018)  |
| I Berry     | (appointed 30 April 2018) |
| C Ruth      | (appointed 30 April 2018) |
| S McLachlan | (appointed 30 April 2018) |

The directors are employed by shareholder entities in respect of whom no recharge of costs was made to the Company for the services provided. None of the directors had an interest in the shares of the Company during the year. Any directors' interests in the shares of the holding company and fellow subsidiaries are shown in the relevant companies' accounts. During the period under review, the shareholders as employers of the officers of the Company had in place indemnity provisions in favour of their respective directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

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

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

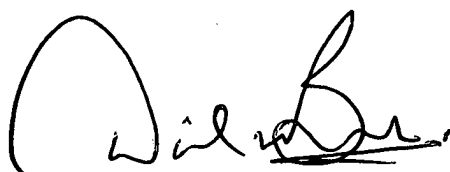
### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

### **Auditor**

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

By order of the board



**D Brunt**  
Director  
16 May 2019

c/o Harper Macleod LLP, The Cadoro  
45 Gordon Street, Glasgow, G1 3PE

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROCKLOCH RIG WINDFARM LIMITED**

## **Opinion**

We have audited the financial statements of Brockloch Rig Windfarm Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of tangible assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROCKLOCH RIG WINDFARM LIMITED**

## **Strategic Report and Directors' Report**

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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

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

We have nothing to report in these respects.

## **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities**

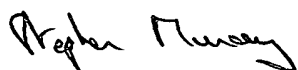
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROCKLOCH RIG WINDFARM LIMITED**

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

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.



**Stephen Muncey (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Botanic House  
100 Hills Road  
Cambridge  
Cambridgeshire  
CB2 1AR

6 June 2019

**Profit and Loss Account and Other Comprehensive Income**  
*For the year ended 31 December 2018*

|                                                | <i>Note</i> | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> |
|------------------------------------------------|-------------|----------------------------|----------------------------|
| <b>Turnover</b>                                | <b>2</b>    | <b>18,724</b>              | <b>4,404</b>               |
| Operating expenses                             | 3           | (10,425)                   | (1,662)                    |
| <b>Operating profit</b>                        |             | <b>8,299</b>               | <b>2,742</b>               |
| Other interest receivable and similar income   | 5           | 1                          | 14                         |
| Interest payable and similar charges           | 6           | (4,942)                    | (506)                      |
| <b>Profit before taxation</b>                  |             | <b>3,358</b>               | <b>2,250</b>               |
| Tax on profit on ordinary activities           | 7           | (932)                      | (377)                      |
| <b>Profit for the financial year</b>           |             | <b>2,426</b>               | <b>1,873</b>               |
| <b>Other comprehensive income</b>              |             | <b>-</b>                   | <b>-</b>                   |
| <b>Total comprehensive income for the year</b> |             | <b>2,426</b>               | <b>1,873</b>               |

The notes on pages 12 to 24 form an integral part of these financial statements.

**Balance Sheet**  
*at 31 December 2018*

|                                                                         | <i>Note</i> | <b>2018</b><br><b>£000</b> | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> |
|-------------------------------------------------------------------------|-------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Fixed assets</b>                                                     |             |                            |                            |                            |                            |
| Tangible assets                                                         | 8           | 79,373                     |                            | 84,922                     |                            |
|                                                                         |             |                            | <u>79,373</u>              |                            | <u>84,922</u>              |
| <b>Current assets</b>                                                   |             |                            |                            |                            |                            |
| Debtors (including due after more than one year<br>£182k (2017: £182k)) | 9           | 5,438                      |                            | 3,482                      |                            |
| Cash and cash equivalents                                               | 10          | 3,583                      |                            | 1,340                      |                            |
|                                                                         |             | <u>9,021</u>               |                            | <u>4,822</u>               |                            |
| <b>Creditors: amounts falling due within one year</b>                   | 11          | <u>(2,755)</u>             |                            | <u>(5,121)</u>             |                            |
| <b>Net current assets / (liabilities)</b>                               |             |                            | <b>6,266</b>               |                            | <b>(299)</b>               |
| <b>Total assets less current liabilities</b>                            |             |                            | <u><b>85,639</b></u>       |                            | <u><b>84,623</b></u>       |
| <b>Creditors: amounts falling due after more than one year</b>          | 12          |                            | <b>(78,852)</b>            |                            | <b>(76,932)</b>            |
| <b>Provisions for liabilities</b>                                       |             |                            |                            |                            |                            |
| Deferred tax liability                                                  | 14          |                            | <b>(3,066)</b>             |                            | <b>(2,212)</b>             |
| Other provisions                                                        | 15          |                            | <b>(3,366)</b>             |                            | <b>(3,300)</b>             |
|                                                                         |             |                            | <u><b>355</b></u>          |                            | <u><b>2,179</b></u>        |
| <b>Net assets</b>                                                       |             |                            | <u><b>355</b></u>          |                            | <u><b>2,179</b></u>        |
| <b>Capital and reserves</b>                                             |             |                            |                            |                            |                            |
| Called up share capital                                                 | 16          |                            | <b>1</b>                   |                            | <b>1</b>                   |
| Profit and loss account                                                 |             |                            | <b>354</b>                 |                            | <b>2,178</b>               |
|                                                                         |             |                            | <u><b>355</b></u>          |                            | <u><b>2,179</b></u>        |
| <b>Shareholders' funds</b>                                              |             |                            | <u><b>355</b></u>          |                            | <u><b>2,179</b></u>        |

These financial statements were approved by the board of directors on **16** May 2019 and were signed on its behalf by:

The notes on pages 12 to 24 form an integral part of these financial statements.



**D Brunt**  
*Director*

Company registered number: SC149100

## Statement of Changes in Equity

|                                                  | <b>Called up<br/>Share<br/>capital<br/>£000</b> | <b>Profit and<br/>loss account<br/>£000</b> | <b>Total equity<br/>£000</b> |
|--------------------------------------------------|-------------------------------------------------|---------------------------------------------|------------------------------|
| Balance at 1 January 2017                        | 1                                               | 305                                         | 306                          |
| <b>Total comprehensive income for the period</b> |                                                 |                                             |                              |
| Profit                                           | -                                               | 1,873                                       | 1,873                        |
| <b>Balance at 31 December 2017</b>               | <b>1</b>                                        | <b>2,178</b>                                | <b>2,179</b>                 |
| Balance at 1 January 2018                        | 1                                               | 2,178                                       | 2,179                        |
| <b>Total comprehensive income for the period</b> |                                                 |                                             |                              |
| Profit                                           | -                                               | 2,426                                       | 2,426                        |
| Dividends paid                                   | -                                               | (4,250)                                     | (4,250)                      |
| <b>Balance at 31 December 2018</b>               | <b>1</b>                                        | <b>354</b>                                  | <b>355</b>                   |

The notes on pages 12 to 24 form an integral part of these financial statements.

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Brockloch Rig Windfarm Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Fred. Olsen Renewables Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Fred. Olsen Renewables Limited are available to the public and may be obtained from Companies House. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures: Reconciliation of the number of shares outstanding from the beginning to end of the period, remuneration of key management personnel and preparation of the statement of cashflows.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

#### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **1.2 Going concern**

The Company's business activities are set out in Strategic Report on page 3. The Company is expected to generate positive cash flows for the foreseeable future.

The Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **1.3 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### **1.4 Basic financial instruments**

##### *Trade and other debtors / creditors*

Trade and other debtors / creditors are recognised initially at transaction price less / plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.4 Basic financial instruments (continued)**

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances.

#### **1.5 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Windfarms 15 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

The Company's decommissioning provision on the assets is based on estimates of the future costs for removing the asset and the appropriate discount rate.

#### **1.6 Intangible assets**

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses.

##### *Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software 3 years

The basis for choosing this useful life is that software is subject to continual review and updating as business needs change, and to assume that there will be economic benefits beyond 3 years would be imprudent.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Other intangible assets are tested for impairment in accordance with Section 27 FRS 102 Impairment of assets when there is an indication that an intangible asset may be impaired.

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### **1.7**      **Impairment excluding stocks and deferred tax assets**

##### *Financial assets (including trade and other debtors)*

A financial asset measured at amortised cost through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **1.8**      **Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### **1.9**      **Turnover**

Turnover comprises the value of electricity generated and Renewable Obligation Certificates ("ROCs") (Buyout and Recycle), and arises in the UK and Europe. Revenue is recognised in the period in which the output is delivered. Electricity generation which has not been invoiced at the year end is recognised as accrued income.

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### **1.10**    **Expenses**

##### *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the construction of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### **1.11**    **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax, or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 2 Turnover

All turnover and profit before taxation was derived from the Company's principal activity and relates to continuing activities. All sales were to the UK and Europe.

|                | 2018<br>£000 | 2017<br>£000 |
|----------------|--------------|--------------|
| UK             | 615          | 96           |
| Europe         | 18,109       | 4,308        |
|                | <hr/>        | <hr/>        |
| Total Turnover | 18,724       | 4,404        |
|                | <hr/> <hr/>  | <hr/> <hr/>  |

### 3 Expenses and auditor's remuneration

Operating profit is stated after charging

|                                                                               | 2018<br>£000 | 2017<br>£000 |
|-------------------------------------------------------------------------------|--------------|--------------|
| <i>Auditor's remuneration:</i>                                                |              |              |
| Audit of these financial statements                                           | 14           | 11           |
| Amounts receivable by the Company's auditor and its associates in respect of: |              |              |
| Taxation compliance services                                                  | 4            | 3            |
| Other assurance services                                                      | 1            | 1            |

*Included in profit/loss are the following:*

|                                       |       |       |
|---------------------------------------|-------|-------|
| Operating leases                      | 744   | 123   |
| Depreciation of tangible fixed assets | 5,521 | 531   |
| Transmission Use of System charges    | 1,015 | 405   |
|                                       | <hr/> | <hr/> |

### 4 Staff numbers and costs

The Company had no employees other than directors during the year. None of the directors received any remuneration, directly or indirectly, for their services to the Company during the year (2017: £nil). Directors are remunerated through the relevant parent company.

### 5 Other interest receivable and similar income

|                                                    | 2018<br>£000 | 2017<br>£000 |
|----------------------------------------------------|--------------|--------------|
| Exchange gain                                      | 1            | 14           |
|                                                    | <hr/>        | <hr/>        |
| Total other interest receivable and similar income | 1            | 14           |
|                                                    | <hr/> <hr/>  | <hr/> <hr/>  |

## Notes (continued)

### 6 Interest payable and similar charges

|                                                            | 2018<br>£000 | 2017<br>£000 |
|------------------------------------------------------------|--------------|--------------|
| Interest payable and similar charges to parent undertaking | 4,871        | 426          |
| Exchange loss                                              | 5            | 15           |
| Other financial expenses (note 15)                         | 66           | 65           |
|                                                            | <hr/>        | <hr/>        |
| Total interest payable and similar charges                 | 4,942        | 506          |
|                                                            | <hr/> <hr/>  | <hr/> <hr/>  |

### 7 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

|                                                 | 2018<br>£000 | £000        | 2017<br>£000 | £000        |
|-------------------------------------------------|--------------|-------------|--------------|-------------|
| <i>Current tax</i>                              |              |             |              |             |
| Current tax                                     | 78           |             | -            |             |
|                                                 |              | <hr/>       |              | <hr/>       |
| Total current tax                               |              | 78          |              | -           |
| <i>Deferred tax</i>                             |              |             |              |             |
| Rate change on opening balances                 | 12           |             | (8)          |             |
| Movement in respect of prior years              | 11           |             | (6)          |             |
| Origination and reversals of timing differences | 831          |             | 391          |             |
|                                                 | <hr/>        |             | <hr/>        |             |
| Total deferred tax                              |              | 854         |              | 377         |
|                                                 |              | <hr/>       |              | <hr/>       |
| Total tax charge                                |              | 932         |              | 377         |
|                                                 |              | <hr/> <hr/> |              | <hr/> <hr/> |

|                                       | £000        | 2018<br>£000 | £000        | £000        | 2017<br>£000 | £000        |
|---------------------------------------|-------------|--------------|-------------|-------------|--------------|-------------|
|                                       | Current tax | Deferred tax | Total tax   | Current tax | Deferred tax | Total tax   |
| Recognised in profit and loss account | 78          | 854          | 932         | -           | 377          | 377         |
|                                       | <hr/>       | <hr/>        | <hr/>       | <hr/>       | <hr/>        | <hr/>       |
| Total tax charge                      | 78          | 854          | 932         | -           | 377          | 377         |
|                                       | <hr/> <hr/> | <hr/> <hr/>  | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/>  | <hr/> <hr/> |

## Notes (continued)

### 7 Taxation (continued)

#### *Analysis of total tax recognised in profit and loss*

|                                         | <b>2018</b><br><b>£000</b> | 2017<br>£000 |
|-----------------------------------------|----------------------------|--------------|
| UK corporation tax                      | 932                        | 377          |
|                                         | <hr/>                      | <hr/>        |
| Total tax recognised in profit and loss | <b>932</b>                 | <b>377</b>   |
|                                         | <hr/>                      | <hr/>        |

#### **Reconciliation of effective tax rate**

|                                                                | <b>2018</b><br><b>£000</b> | 2017<br>£000 |
|----------------------------------------------------------------|----------------------------|--------------|
| Profit for the year                                            | 2,426                      | 1,873        |
| Total tax expense                                              | 932                        | 377          |
|                                                                | <hr/>                      | <hr/>        |
| Profit excluding taxation                                      | 3,358                      | 2,250        |
| Tax using the UK corporation tax rate of 19.00% (2017: 19.25%) | 638                        | 433          |
| Rate change on opening balance                                 | 12                         | (49)         |
| Impact of corporation tax rate on deferred tax                 | (91)                       | (6)          |
| Deferred tax movement in respect of prior year                 | 11                         | (6)          |
| Permanent differences                                          | 362                        | (1)          |
|                                                                | <hr/>                      | <hr/>        |
| Total tax charge included in profit or loss                    | <b>932</b>                 | <b>377</b>   |
|                                                                | <hr/>                      | <hr/>        |

A reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the Company's future current tax charge accordingly.

The deferred tax liability at 31 December 2018 has been calculated based on these rates.

## Notes (continued)

### 8 Tangible fixed assets

|                                  | Windfarms | Total  |
|----------------------------------|-----------|--------|
|                                  | £000      | £000   |
| <b>Cost</b>                      |           |        |
| Balance at 1 January 2018        | 85,453    | 85,453 |
| Disposals                        | (28)      | (28)   |
|                                  | <hr/>     | <hr/>  |
| Balance at 31 December 2018      | 85,425    | 85,425 |
|                                  | <hr/>     | <hr/>  |
| <b>Depreciation</b>              |           |        |
| Balance at 1 January 2018        | 531       | 531    |
| Depreciation charge for the year | 5,521     | 5,521  |
|                                  | <hr/>     | <hr/>  |
| Balance at 31 December 2018      | 6,052     | 6,052  |
|                                  | <hr/>     | <hr/>  |
| <b>Net book value</b>            |           |        |
| At 1 January 2018                | 84,922    | 84,922 |
|                                  | <hr/>     | <hr/>  |
| At 31 December 2018              | 79,373    | 79,373 |
|                                  | <hr/>     | <hr/>  |

Included in the cost of tangible fixed assets is £4,814k (2017: £4,814k) in respect of capitalised interest costs and a decommissioning asset of £3,071k (2017: £3,071k).

### 9 Debtors

|                                | 2018  | 2017  |
|--------------------------------|-------|-------|
|                                | £000  | £000  |
| Trade debtors                  | 250   | 293   |
| Other debtors                  | 213   | 58    |
| Prepayments and accrued income | 4,793 | 2,949 |
| Restricted Cash                | 182   | 182   |
|                                | <hr/> | <hr/> |
|                                | 5,438 | 3,482 |
|                                | <hr/> | <hr/> |
| Due within one year            | 5,256 | 3,300 |
| Due after more than one year   | 182   | 182   |
|                                | <hr/> | <hr/> |
|                                | 5,438 | 3,482 |
|                                | <hr/> | <hr/> |

Included within debtors is restricted cash of £182k (2017: £182k). £19k (2017: £19k) of this is being held in an escrow account to secure grid work by National Grid Transmissions (NGT). The remaining £163k (2017: £163k) is being held in an escrow account for future decommissioning costs. As such, this cash is not available to the Company.

## Notes (continued)

### 10 Cash and cash equivalents

|                          | 2018<br>£000 | 2017<br>£000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 3,583        | 1,340        |
|                          | <hr/>        | <hr/>        |

### 11 Creditors: amounts falling due within one year

|                                    | 2018<br>£000 | 2017<br>£000 |
|------------------------------------|--------------|--------------|
| Trade creditors                    | 119          | 129          |
| Amounts owed to group undertakings | 165          | 1,509        |
| Other creditors                    | -            | 532          |
| Accruals and deferred income       | 2,471        | 2,951        |
|                                    | <hr/>        | <hr/>        |
|                                    | 2,755        | 5,121        |
|                                    | <hr/>        | <hr/>        |

### 12 Creditors: amounts falling due after more than one year

|                                    | 2018<br>£000 | 2017<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 78,852       | 76,932       |
|                                    | <hr/>        | <hr/>        |
|                                    | 78,852       | 76,932       |
|                                    | <hr/>        | <hr/>        |

### 13 Interest-bearing loans and borrowings

#### *Terms and debt repayment schedule*

|                                                      | Currency | Nominal<br>interest<br>rate | Year of<br>maturity | Repayment<br>schedule | 2018<br>£000 | 2017<br>£000 |
|------------------------------------------------------|----------|-----------------------------|---------------------|-----------------------|--------------|--------------|
| Amounts owed to group undertakings (notes 11 and 12) | GBP      | 6.15%<br>plus<br>LIBOR      | 2036                | At end of agreement   | 79,017       | 78,441       |
|                                                      |          |                             |                     |                       | <hr/>        | <hr/>        |
|                                                      |          |                             |                     |                       | 79,017       | 78,441       |
|                                                      |          |                             |                     |                       | <hr/>        | <hr/>        |

## Notes (continued)

### 14 Deferred tax

Deferred tax liabilities are attributable to the following:

|                                   | 2018<br>£000 | 2017<br>£000 |
|-----------------------------------|--------------|--------------|
| At 1 January                      | 2,212        | 1,835        |
| Charge to profit and loss account | 854          | 377          |
|                                   | <hr/>        | <hr/>        |
| At 31 December                    | 3,066        | 2,212        |
|                                   | <hr/>        | <hr/>        |
| Deferred Tax                      |              |              |
|                                   | 2018<br>£000 | 2017<br>£000 |
| Accelerated capital allowances    | 3,066        | 2,212        |
|                                   | <hr/>        | <hr/>        |

### 15 Provisions

|                                    | Provision<br>£000 |
|------------------------------------|-------------------|
| Balance at 1 January 2018          | 3,300             |
| Unwinding of discount (note 6)     | 66                |
|                                    | <hr/>             |
| <b>Balance at 31 December 2018</b> | <b>3,366</b>      |
|                                    | <hr/>             |

The provision is for decommissioning and restoration costs for which Brockloch Rig Windfarm is liable under the land lease. This is expected to be between 15 and 25 years after the wind farm was commissioned and the cost is subject to re-assessment, which will include changes in input costs and values.

At 31 December 2018, the decommissioning provision was calculated and estimated at £3,366k based on an estimated decommissioning date of 2042 and on the basis of a discount rate of 2% (2017: 2%). Several uncertainties exist including the forecast future cost of works and whether there is an option to renew the lease and repower the assets.

### 16 Share capital

|                                           | 2018<br>£ | 2017<br>£ |
|-------------------------------------------|-----------|-----------|
| <i>Allotted, called up and fully paid</i> |           |           |
| 1,200 ordinary shares of £1.00 each       | 1,200     | 1,200     |
|                                           | <hr/>     | <hr/>     |

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

## **Notes** *(continued)*

### **17 Commitments**

#### *Capital commitments*

Contractual commitments to purchase tangible fixed assets at the year end were £1,154k (2017: £2,373k)

### **18 Contingencies**

There is a contingent liability related to the grid connection of £163k (2017: £155k). This amount is based on a percentage of Brockloch Rig Windfarm's liability. If this grid connection is cancelled, then Brockloch Rig Windfarm is liable to pay for this liability.

The wind farm assets are used as security against external loan financing received elsewhere in the group.

### **19 Land leases**

During the year £744k (2017: £123k) was recognised as an expense in the profit and loss account in respect of land rentals.

Rental payments are based on generation and a percentage of certain components of turnover.

The annual sum payable to the landowner shall be a minimum of £1.50 Index linked for each kilowatt of the maximum wind generation capacity installed on the property under the lease in every year subsequent to the completion of the windfarm for the duration of the lease.

Due to the rent being contingent, it is not possible to calculate the operating lease commitment note.

## Notes (continued)

### 20 Related parties

#### *Identity of related parties with which the Company has transacted*

The shareholders of Fred. Dessen & Co Ltd have a shareholding in Bonheur ASA which is the ultimate controlling parent company of Brockloch Rig Windfarm Ltd. The Natural Power Consultants (NPC) and The Natural Power Services (NPS) carried out consultancy-related services for Brockloch Rig Windfarm Ltd. The companies NPC and NPS are wholly owned subsidiaries of Fred. Dessen & Co Ltd. In 2018, the two companies invoiced a total of £219k (2017: £43k) for services performed.

During the year, shareholder loans were provided by Fred. Olsen Renewables Limited ("FORL") and Fred. Olsen CBH Limited ("FOCBH"). Interest of £1,125k (2017: £426k) and £3,745k was due to FORL and FOCBH respectively.

#### *Other related party transactions*

|                                                                                                 | <b>Management<br/>fees/expenses<br/>incurred from<br/>2018<br/>£000</b> | <b>Management<br/>fees/expenses<br/>incurred from<br/>2017<br/>£000</b> |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Entities with control, joint control and significant influence (Fred. Olsen Renewables AS)      | 285                                                                     | -                                                                       |
| Entities with control, joint control and significant influence (Fred. Olsen Renewables Limited) | 52                                                                      | -                                                                       |
| Entities with control, joint control and significant influence (Fred. Olsen CBH Limited)        | 103                                                                     | -                                                                       |
| Related Party (NPS)                                                                             | 167                                                                     | 43                                                                      |
| Related Party (NPC)                                                                             | 52                                                                      | -                                                                       |
|                                                                                                 | <hr/> 659                                                               | <hr/> 43                                                                |
|                                                                                                 | <hr/> <hr/>                                                             | <hr/> <hr/>                                                             |
|                                                                                                 | <b>Creditors<br/>outstanding<br/>2018<br/>£000</b>                      | <b>Creditors<br/>outstanding<br/>2017<br/>£000</b>                      |
| Entities with control, joint control or significant influence (Fred. Olsen CBH Ltd)             | 79,120                                                                  | -                                                                       |
| Entities with control, joint control or significant influence (Fred. Olsen Renewables Ltd)      | -                                                                       | 78,441                                                                  |
| Related Party (NPS)                                                                             | 3                                                                       | -                                                                       |
|                                                                                                 | <hr/> 79,123                                                            | <hr/> 78,441                                                            |
|                                                                                                 | <hr/> <hr/>                                                             | <hr/> <hr/>                                                             |

### 21 Ultimate parent company and parent company of larger group

The Company's immediate parent company is Fred. Olsen CBH Limited (registered office, 2<sup>nd</sup> Floor, 64-65 Vincent Square, London, SW1P 2NU), a company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Bonheur ASA (registered office Fred. Olsen gate 2, P.O. Box 1159 Sentrum, N-0152 Oslo, Norway), incorporated in Norway, and Aviva Investors Infrastructure Income Limited Partnership (registered office St Helen's, 1 Undershaft, London, EC3P 3DQ), a company incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Fred. Olsen CBH Limited. These accounts are available to the public and may be obtained from Companies House.

## **Notes (continued)**

### **22 Accounting estimates and judgements**

#### *Key sources of estimation uncertainty*

There is uncertainty around the ROC recycle fund value for the period 1 April 2018 to the end of the year. This will be announced at the end of 2019. The value received to March 2018 was £5.42, and this income has been accrued at £4.69 (2017: £nil) for the 2018/2019 compliance period as per external advisor reports. This value is reviewed on a periodic basis.

There is uncertainty regarding the value of the wind farm's decommissioning provision and its residual value, such as the resale value of the turbines and the scrap material value. Periodic valuations of the wind farms are performed by external surveyors to ensure the provision and the residual value are accurately calculated.

### **23 Non adjusting post balance sheet events**

On 17 April 2019, the wind farm operations and maintenance provider, Senvion, went into voluntary administration. The impact of this on the accounts is not material, and the Company has prepared a contingency plan to ensure continuity of operations.