

# **Brockloch Rig Windfarm Limited**

Annual report and financial statements

Registered number SC149100

31 December 2020



## **Contents**

Strategic Report	3
Directors' Report	5
Statement of directors' responsibilities in respect of the annual report and the financial statements	6
Independent auditor's report to the members of Brockloch Rig Windfarm Limited	7
Profit and Loss Account and Other Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes	14

## Strategic Report

The directors present their Strategic Report for the year ended 31 December 2020.

### Principal activities and trading review

In November 2017, Brockloch Rig became an operational and commissioned windfarm. The principal activity of Brockloch Rig Windfarm Limited (the “Company”) became the operation of a windfarm. The profit for the year was £1,325k (2019: £1,928k). The Company’s key financial performance indicators during the year were as follows:

	2020	2019	Change
	MWh	MWh	
Generation	194,644	188,827	3.1%
	%	%	
Availability	95.41	95.74	(0.3%)
	£’000	£’000	
Turnover	16,105	16,688	(3.5%)
EBITDA	11,259	12,182	(7.6%)
Profit	1,325	1,928	(31.3%)

Availability is the percentage of time that a wind turbine is able to operate and is not out of commission due to maintenance or repairs. EBITDA represents earnings before interest, depreciation, amortisation and tax. Interest comprises ‘other interest receivable and similar income’ and ‘interest payable and similar charges’ as set out in the profit and loss account. EBITDA is the key financial metric used by management to judge the financial performance of the windfarm.

Generation for the year was higher than 2019 due to higher average wind speeds. Turnover for the year was lower due to lower prices, partially offset by the higher generation. EBITDA was lower than last year due to the above factors and increased operating costs.

### 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 windfarm monitoring and servicing.

On 31 December 2020, the transition period following the UK leaving the European Union ended. The impact on the Company remains relatively low. The windfarm generates electricity and trades within the market it is located (GB electricity market with a European PPA offtaker). The key potential risk areas for the Company are likely to be foreign exchange movements when sourcing strategic spares from Europe, timely access to spares in case of customs disruption, changes in future energy and trade policies and the movement of employees.

Management are continuing to monitor closely the developments in energy, trade and employment policies. 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. Further mitigation will be implemented as required.

## **Strategic Report (continued)**

### **COVID-19**

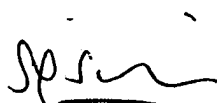
On 11 March 2020, the WHO declared the outbreak of COVID-19 as a global pandemic. An impact assessment was carried out highlighting factors such as electricity price and supply chain as the major impact of the pandemic. Despite the challenges the pandemic has entailed, normal operation has been maintained at the windfarms, with satisfactory uptime on the turbines. Measures to reduce risk of the coronavirus infection have been taken in accordance with the authorities' recommendations and directives. The activities on site have been reduced accordingly.

Although it is too early to predict the full impact on the world economy from the coronavirus pandemic, the world economy is expected to show a strong recovery in the second half of 2021 if there are no significant setbacks in the rollout and effectiveness of the COVID-19 vaccines. The IMF forecasts a global growth of more than 6% for the full year. For the EU, the economic outlook is somewhat weaker due to a third wave of the coronavirus and the relatively slow vaccine rollout which make recovery slower than what was expected a few months ago.

### **UK energy market**

The average electricity price in the UK fell by almost 20% for the year (£35/MWh) compared to 2019 (£43/MWh). The mild and windy weather at the start of 2020, and the unusual effect of reduced demand due to coronavirus lockdowns from March 2020 onwards, both negatively impacted UK power prices. The same factors had a negative effect on gas prices, which continued the downward trend from the prior year. Carbon emission prices ("EU ETS") fell steeply in early 2020 due to the fundamental coronavirus effects on CO2 emissions, however, strong political backing and tighter long-term CO2 reduction targets backed strong recovery, and carbon prices doubled from mid-March 2020 (€16/ton) to the end of the year (around €32/ton). During the last part of summer and into the fourth quarter of 2020, the gas market in Europe was much better balanced and started a steady recovery, which together with the strong EU ETS market, pulled UK power prices upwards in the same period. The same trend has continued into the first quarter of 2021, with a strong push from the cold weather.

By Order of the Board



**S Sidhu**  
*Company Secretary*  
16 June 2021

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 2020.

### **Proposed dividend**

The Company did not pay a dividend during the year and no dividend is proposed (2019: £1,000k).

### **Directors**

The directors who held office during the year and to the date of this report were as follows:

C Ruth  
S McLachlan  
I Brandvold  
I Shervell (appointed 8 September 2020)  
F Murray (resigned 8 September 2020)

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 and incurred no political expenditure during the year (2019: £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.

### **Streamlined energy and carbon reporting**

The Streamlined Energy and Carbon Report provides environmental impact information in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Under changes made by the 2018 Regulations, unquoted companies incorporated in the UK, which are required to prepare a Directors' Report under Part 15 of the Companies Act 2006, and which are "large" are required to prepare and file energy and carbon information in their Directors' Reports. As the Company is not large, it is exempt from these disclosures and it has not chosen voluntarily to report this 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

  
C Ruth  
Director  
16 June 2021

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

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal 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.

# **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 2020 which comprise the Profit and Loss Account and Other 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 2020 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.

## **Going concern**

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.

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

- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. This was deemed to be only related to the ROC recycle fund, which is based on an estimate and could be open to bias, other revenue streams were considered to be straightforward and not exposed to a risk of fraudulent revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted to unrelated accounts linked to the fraud risk over revenue recognition.
- Assessing significant accounting estimates for bias.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequence of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety and laws related to the construction, registration and operation of the windfarms. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

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

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



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

### **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 6, 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**

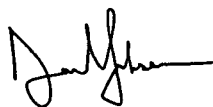
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 (CONTINUED)**

### **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.



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

25th June 2021

**Profit and Loss Account and Other Comprehensive Income**  
*For the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>16,105</b>	<b>16,688</b>
Operating expenses	3	<b>(8,936)</b>	<b>(8,565)</b>
<b>Operating profit</b>		<b>7,169</b>	<b>8,123</b>
Other interest receivable and similar income	5	-	1
Interest payable and similar charges	6	<b>(4,821)</b>	<b>(5,468)</b>
<b>Profit before taxation</b>		<b>2,348</b>	<b>2,656</b>
Tax on profit	7	<b>(1,023)</b>	<b>(728)</b>
<b>Profit for the financial year</b>		<b>1,325</b>	<b>1,928</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,325</b>	<b>1,928</b>

The notes on pages 14 to 26 form an integral part of these financial statements.

**Balance Sheet**  
*at 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Fixed assets</b>					
Tangible fixed assets	8	72,173		75,539	
			72,173		75,539
<b>Current assets</b>					
Debtors (including due after more than one year £193k (2019: £193k))	9	5,400		5,975	
Cash and cash equivalents	10	3,453		1,316	
		8,853		7,291	
Creditors: amounts falling due within one year	11	(1,951)		(2,933)	
<b>Net current assets</b>			6,902		4,358
<b>Total assets less current liabilities</b>			79,075		79,897
Creditors: amounts falling due after more than one year	12		(67,852)		(71,527)
<b>Provisions for liabilities</b>					
Deferred tax liability	14		(4,694)		(3,429)
Other provisions	15		(3,921)		(3,658)
<b>Net assets</b>			2,608		1,283
<b>Capital and reserves</b>					
Called up share capital	16		1		1
Profit and loss account			2,607		1,282
<b>Shareholder's funds</b>			2,608		1,283

The notes on pages 14 to 26 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 16 June 2021 and were signed on its behalf by:

  
C Ruth  
Director

Company registered number: SC149100

## Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	1	354	355
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	1,928	1,928
<b>Total transactions with owners, recorded directly in equity</b>			
Dividends paid during the year	-	(1,000)	(1,000)
Balance at 31 December 2019	1	1,282	1,283
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	1,325	1,325
<b>Balance at 31 December 2020</b>	<b>1</b>	<b>2,607</b>	<b>2,608</b>

The notes on pages 14 to 26 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 private 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”). 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 CBH Limited (“FOCBH”) includes the Company in its consolidated financial statements. The consolidated financial statements of FOCBH 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:

- Cash flow statement and related notes; and
- Key management personnel compensation.

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 financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons.

On 11 March 2020, the WHO declared the outbreak of Covid-19 as a global pandemic. A risk assessment was carried out highlighting the key areas which have been set out in the Strategic report on page 3.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

##### *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. In 2019, it was decided that the useful economic life of the windfarm was to increase from 15 years to 20 years so that it is in line with industry standard. The estimated useful lives are as follows:

- Windfarms 20 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 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Impairment excluding stocks and deferred tax assets (continued)

##### *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.

#### 1.7 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.

##### *Decommissioning provision*

Provisions for decommissioning and restoration costs of the windfarm site are measured on the basis of current requirements, technology and price levels that are then inflated to the expected date at which the decommissioning event is expected to occur.

The initial discounted amounts are capitalised as part of property, plant and equipment and are depreciated over the period in which the windfarm is expected to generate electricity. Each year the provision is increased to reflect the unwinding of the discount rate, which is recognised in interest payable and similar charges. Any subsequent changes to the estimate of the decommissioning costs or discount rate are recognised as a change to the provision and to property, plant and equipment.

#### 1.8 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. Revenue from Recycle ROCs for electricity generated from 1 April 2020 is estimated based on ROC Recycle price projections. Any over or under estimation of ROC Recycle revenue is recognised in the subsequent financial period upon publication of the ROC Recycle price.

Electricity generation which has not been invoiced at the year-end is recognised as accrued income.



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

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

#### **1.9**      **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.

#### **1.10**      **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. Deferred tax assets in respect of decommissioning provisions are not recognised due to the uncertainty over the deductibility for tax of the costs that will be incurred.

## Notes (continued)

### 2 Turnover

All turnover and profit before taxation was derived from the Company's principal activity and relates to continuing activities. All income is derived from the UK and other parts of Europe.

	2020 £000	2019 £000
United Kingdom	1,328	533
Europe	14,777	16,155
	<hr/>	<hr/>
Total turnover	16,105	16,688
	<hr/>	<hr/>

### 3 Operating expenses

Operating profit is stated after charging:

	2020 £000	2019 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	14	14
Amounts receivable by the Company's auditor and its associates in respect of:		
Taxation compliance services	4	4
Other assurance services	1	2

*Included in profit/loss are the following:*

Operating lease rentals	650	723
Depreciation of tangible fixed assets (note 8)	4,090	4,059
Transmission use of system charges	1,111	1,040
	<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 (2019: £nil). Certain directors who served during the year are also directors of the parent company or a fellow group company, and are remunerated by those companies. Although they do receive remuneration from those companies in respect of their services to various group companies, including this company, any allocation of this remuneration would be notional. Therefore, their remuneration has been disclosed in the financial statements of the relevant company from which remuneration is received.

### 5 Other interest receivable and similar income

	2020 £000	2019 £000
Interest receivable	-	1
	<hr/>	<hr/>
Total other interest receivable and similar income	-	1
	<hr/>	<hr/>

## Notes (continued)

### 6 Interest payable and similar charges

	2020 £000	2019 £000
Interest payable and similar charges to immediate parent undertaking (note 20)	4,768	5,397
Foreign exchange loss	8	-
Other financial expenses	-	4
Unwinding of discount on decommissioning provision (note 15)	45	67
	<hr/>	<hr/>
Total interest payable and similar charges	4,821	5,468
	<hr/>	<hr/>

### 7 Taxation

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

	2020 £000	£000	2019 £000	£000
<i>Current tax</i>				
Current tax		43	284	
Adjustments in respect of prior years		(285)	81	
		<hr/>		<hr/>
Total current tax (credit) / charge		(242)		365
<i>Deferred tax</i>				
Rate change on opening balances	397		(16)	
Movement in respect of prior years	285		-	
Origination and reversals of timing differences	583		379	
	<hr/>		<hr/>	
Total deferred tax charge		1,265		363
		<hr/>		<hr/>
Total tax charge		1,023		728
		<hr/>		<hr/>

	£000	2020 £000	£000	£000	2019 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	(242)	1,265	1,023	365	363	728
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax charge	(242)	1,265	1,023	365	363	728
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation (continued)

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

	2020 £000	2019 £000
UK corporation tax	1,023	728
Total tax recognised in profit and loss	<u>1,023</u>	<u>728</u>

*Reconciliation of effective tax rate:*

	2020 £000	2019 £000
Profit for the year	1,325	1,928
Total tax expense	1,023	728
Profit before taxation	<u>2,348</u>	<u>2,656</u>
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	446	505
Rate change on opening balance	397	(16)
Impact of corporation tax rate on deferred tax	-	(44)
Permanent differences	180	202
Adjustments in respect of prior years	-	81
Total tax charge included in profit and loss	<u>1,023</u>	<u>728</u>

*Factors affecting the tax charge in future years:*

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. Deferred tax liabilities at 31 December 2020 have been calculated at 19% (2019: 17%). See note 23 for the subsequent events related to recent developments regarding the tax rate.

## Notes (continued)

### 8 Tangible fixed assets

	Windfarms	Total
	£000	£000
<b>Cost</b>		
Balance at 1 January 2020	85,650	85,650
Additions	724	724
	<hr/>	<hr/>
Balance at 31 December 2020	86,374	86,374
	<hr/>	<hr/>
<b>Depreciation</b>		
Balance at 1 January 2020	10,111	10,111
Depreciation charge for the year	4,090	4,090
	<hr/>	<hr/>
Balance at 31 December 2020	14,201	14,201
	<hr/>	<hr/>
<b>Net book value</b>		
At 1 January 2020	75,539	75,539
	<hr/>	<hr/>
At 31 December 2020	72,173	72,173
	<hr/>	<hr/>

Included in the cost of tangible fixed assets is £4,814k (2019: £4,814k) in respect of capitalised interest costs and a decommissioning asset of £3,514k (2019: £3,296k).

### 9 Debtors

	2020	2019
	£000	£000
Trade debtors	132	284
Amounts due from group undertakings (note 20)	168	-
Corporation tax receivable	78	-
Other debtors	35	543
Prepayments and accrued income	4,794	4,955
Restricted cash	193	193
	<hr/>	<hr/>
	5,400	5,975
	<hr/>	<hr/>
Due within one year	5,207	5,782
Due after more than one year	193	193
	<hr/>	<hr/>
	5,400	5,975
	<hr/>	<hr/>

Included within debtors is restricted cash of £193k (2019: £193k). £29k (2019: £30k) of the restricted cash is being held in an escrow account to secure grid work by National Grid Transmissions and £164k (2019: £163k) 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**

	2020 £000	2019 £000
Cash at bank and in hand	3,453	1,316

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

	2020 £000	2019 £000
Trade creditors	77	362
Amounts owed to group undertaking – FOCBH (notes 13 and 20)	180	164
Amounts owed to group undertaking – other (note 20)	30	-
Other creditors	-	2
Accruals and deferred income	1,664	2,405
	<u>1,951</u>	<u>2,933</u>

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

	2020 £000	2019 £000
Amounts owed to group undertaking – FOCBH (notes 13 and 20)	67,852	71,527

**13 Interest-bearing loans and borrowings**

*Terms and debt repayment schedule*

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £000	2019 £000
Amounts owed to group undertaking – FOCBH (notes 11 and 12)	GBP	6.15% plus LIBOR	2036	At end of agreement	68,032	71,691

## Notes (continued)

### 14 Deferred tax liability

Deferred tax liabilities are attributable to the following:

	2020 £000	2019 £000
At 1 January	3,429	3,066
Charge to profit and loss account	1,265	363
	<hr/>	<hr/>
At 31 December	4,694	3,429
	<hr/>	<hr/>
Deferred tax attribution:		
	2020 £000	2019 £000
Accelerated capital allowances	4,062	2,706
Other timing differences	632	723
	<hr/>	<hr/>
	4,694	3,429
	<hr/>	<hr/>

### 15 Other provisions

	2020 £000	2019 £000
Balance at 1 January	3,658	3,366
Change in provision	218	225
Unwinding of discount (note 6)	45	67
	<hr/>	<hr/>
Balance at 31 December	3,921	3,658
	<hr/>	<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 incurred between 15 and 25 years after the windfarm was commissioned and the cost is subject to re-assessment, which will include changes in input costs and values.

At 31 December 2020, the decommissioning provision was calculated and estimated at £3,921k (2019: £3,658) based on an estimated decommissioning date of 2042 and on the basis of a discount rate of 1.22% (2019: 1.22%). 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 Called up share capital

	2020 £	2019 £
<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 £800k (2019: £1,189k).

### 18 Contingencies

The windfarm assets of the Company are used as security against external loan financing received in Fred. Olsen CB Limited, a subsidiary company of Fred. Olsen Renewables Limited ("FORL"), from MUFG Bank Ltd. The value of the loan is £57,668k (2019: £59,862k).

There are also contingent liabilities in relation to the grid connection of £81k (2019: £116k).

### 19 Land leases

During the year £650k (2019: £723k) 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 is 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.

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

	2020 £000	2019 £000
Less than one year	156	146
Between two and five years	625	582
More than five years	2,237	2,184
	<u>3,018</u>	<u>2,912</u>



## 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 Limited. The Natural Power Consultants ("NPC") and Natural Power Services ("NPS"), wholly owned subsidiaries of Fred. Dessen & Co Ltd, carried out consultancy-related services for the Company in 2020 and 2019. In 2020, NPC and NPS charged a total of £229k (2019: £230k) for services performed.

During the year, a shareholder loan was provided by FOCBH, the Company's immediate parent company, and interest of £4,768k (2019: £5,397k) was due.

During the year, the Company did not pay dividends; in 2019, dividends of £1,000k were paid to FOCBH.

It is expected that the Company will claim, through group relief, tax losses for the year from Crystal Rig III Limited, a fellow group undertaking, and FOCBH for consideration of £43k. In 2019, the Company surrendered tax losses to FOCBH for consideration of £9k.

#### *Other related parties' transactions*

	Management fees/expenses incurred from 2020 £000	Management fees/expenses incurred from 2019 £000
Entities with control, joint control and significant influence (Fred. Olsen Renewables AS)	310	328
Entities with control, joint control and significant influence (FOCBH)	158	127
Related party (NPS)	192	167
Related party (NPC)	37	25
	<u>697</u>	<u>647</u>

	Receivables outstanding 2020 £000	Receivables outstanding 2019 £000	Creditors outstanding 2020 £000	Creditors outstanding 2019 £000
Entities with control, joint control or significant influence (FORL)	19	-	-	-
Entities with control, joint control or significant influence (FOCBH)	-	-	68,032	71,691
Fellow group undertakings (Crystal Rig II Limited)	134	-	-	-
Fellow group undertakings (Crystal Rig Windfarm Limited)	7	-	-	-
Fellow group undertakings (Brockloch Rig I Limited)	8	-	-	-
Fellow group undertakings (Crystal Rig III Limited)	-	-	30	-
Related party (Fred. Olsen & Co)	-	-	-	6
Related party (NPS)	-	-	24	52
Related party (NPC)	-	-	9	37
	<u>168</u>	<u>-</u>	<u>68,095</u>	<u>71,786</u>

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

### **21 Ultimate parent company and immediate parent company**

The Company's immediate parent company is Fred. Olsen CBH Limited (registered office, 2<sup>nd</sup> Floor, 36 Broadway, London, SW1H 0BH), 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.

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

#### *Key sources of estimation uncertainty*

There is uncertainty around the ROC recycle fund value for the period 1 April 2020 to the end of the year. This value will be announced at the end of 2021. Income has been accrued at £4.30 (2019: £5.04) for the 2020/2021 compliance period as per external advisor reports. This value is reviewed on a periodic basis. The value received per ROC to March 2020 was £5.65 (2019: £6.80).

There is uncertainty regarding the value of the windfarm's decommissioning provision and the residual value of the windfarm, such as the resale value of the turbines and the scrap material value. Periodic valuations of the windfarms are performed by external surveyors to ensure the provision and the residual value are accurately calculated. Changes in the residual value do not affect the value of the provision but do impact the depreciation charge in the year.

At 31 December 2020, the decommissioning provision was calculated and estimated at £3,921k (2019: £3,658k) based on an estimated decommissioning date of 2042 and on the basis of a discount rate of 1.22% (2019: 1.22%). Several uncertainties exist including the forecast future cost of works and whether there is an option to renew the lease and repower the assets.

### **23 Post balance sheet event**

The March 2021 UK Budget announced that a corporate tax rate of 19% would continue to apply until 31 March 2023 and it will then increase to 25% from 1 April 2023. This rate increase will increase the Company's future tax charge and future deferred tax liabilities accordingly.