

**Company Registration No: 06001931 (England and Wales)**

**BRENIG WIND LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



**2018 BRENIG WIND LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	You Li Yuhua Xiao Xiangsheng Li
<b>Secretary</b>	Ming-Lung Chang
<b>Company number</b>	06001931
<b>Registered office</b>	First Floor, St Martin's House 3 Priory Court Pilgrim Street London, England EC4V 6DE
<b>Auditor</b>	Deloitte LLP 1 New Street Square London, United Kingdom EC4A 3HQ

## **2018 BRENIG WIND LIMITED**

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## **BRENIG WIND LIMITED**

### **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present the strategic report for the year ended 31 December 2018.

#### **Principal Activity**

The principal activity of the Company is that of construction and operation of wind farms. The Company owns a greenfield onshore wind project located in Northern Wales, with a potential installed capacity of 37 MW consisting of 16 turbines. The Company has entered into a 15 year agreement to generate electricity for a secured strike price under the Contracts for Difference scheme.

#### **Review of the Business**

At year-end, the company's project is still under construction with a total capital expenditure of £50,303k (2017: £24,942k). The company made a loss of £152,866 (2017: £39,719 - Profit) mainly due to administrative expenses and foreign exchange losses.

During this financial year, the Company has no other business activity, therefore the only focus of key performance indicator is the progress of the construction of windfarm. In 2018, we successfully completed the construction work on grid connection, land development and road construction. Towards second half of 2018, all turbines were safely delivered on site and successfully installed by end of 2018.

We are obliged to undertake full inspection and testing of electrical installations of the windfarms to ensure health and safety regulations are complied with. The commissioning was completed on 30 March 2019 and all turbines have been in full operation from March 2019.

#### **Principal Risks and Uncertainties**

The principal risks to the Company on its project is as follows:

##### *Energy price market volatility*

Whilst the project is still in the construction phase, the overall recoverability of the capital expenditure is dependent on anticipated energy prices. Although in general, independent forecasters expect UK wholesale power prices to rise in real terms from current levels, driven by higher gas and carbon prices combined with the on-going phasing out of coal-fired power stations; in the short term, power prices are likely to remain volatile, which is a risk to the profitability of the project. The Company has not entered into any hedging arrangements to minimize the risk to volatility in the future power price. The Company's strategy has been designed to mitigate the risk by rigorous project assessment and continual monitoring and review.

##### *Financial risks*

The Company activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company adopts a prudent approach to liquidity management and mitigates against cash flow and liquidity risk by continuously monitoring forecasted and actual cash flows and maintains sufficient cash reserves to meet its obligations. The Company's main exposure to credit risk is its cash balances with future banks refinancing. The risk will be mitigated through using banks whose long-term senior unsecured debt credit rating is no lower than A.

## BRENIG WIND LIMITED

### STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Principal Risks and Uncertainties - continued

##### *Credit risk*

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to a Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its trading counterparties are monitored by the boards of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's policy to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress condition. The company also has a £60 million loan facility in place from Huasheng bank with undrawn facilities of £12.4 million (2017: £33 million) as at year end. To ensure that the Company meets its liabilities when due, it benefits from its parent's support when needed.

##### *Regulatory risk*

The UK mechanism for supporting renewable projects continues to evolve and is changing under the Energy Market Reforms, whereby projects compete for UK government support. The Company manages this risk by constantly evaluating its portfolio to respond to the current planning consent climate and support mechanism. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of intercompany facilities and by ensuring adequate internally generated funds. There were no major health and safety incidents to report in the period.

##### *Construction risk*

Construction of the windfarm was substantially completed by 31 December 2018. However the Company is still exposed to various construction risks towards the final stage of completion despite the risk is now minimal. To mitigate this risk, we obtained various insurance policies to protect us against such risk.

#### Future Outlook

All the wind turbines were fully installed by end of December 2018. The windfarm commenced operation in March 2019, at which point the Company started receiving renewable incentives for its generation output. In addition, as these products and the electricity generated will be sold under a long term Power Purchase Agreement, management considers that this supports the company's financial projections leading to strong profitability and cash flows.

Based on the forecast from an independent advisor, the management believes over the medium term wind speeds in the UK will maintain their medium term average. In the 3<sup>rd</sup> quarter of the financial year 2019, the wind speed achieved our expectation.

On behalf of the board

  
You Li  
Director

Date: 11/12/2019

## **BRENIG WIND LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present their annual report and audited financial statements for the year ended 31 December 2018.

#### **Principal activities**

The principal activity of the company continues to be that of windfarm developer and operator.

#### **Results and dividends**

At year end, the company's project is still under construction with a total capital expenditure of £24,106k in 2018 (2017: £24,942k). The company made a loss of £152,866 (2017: £39,719) mainly due to foreign exchange losses.

No ordinary dividends were paid (2017: £nil). The Directors do not recommend payment of a final dividend.

#### **Directors of the Company**

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

You Li  
Yuhua Xiao  
Xiangsheng Li

None of the Directors have an employment contract with the Company and no qualifying indemnities were in place in the current or prior year.

#### **Financial risk management objectives and policies**

The Directors refer to their Strategic Report presented in page 1 to 2.

#### **Going concern**

The Group is in a net current liabilities position. As described in the Strategic Report, the Company's focus was the construction which was completed in December 2018. The wind farm is expected to commence operations in March 2019, at which point the Company is forecast to generate positive net cash inflows.

In 2017, the Company entered into a £60m facility with CGNPC Huasheng Investment Ltd to provide funding to complete the construction activities and is dependent for its working capital on the funds provided to it by Huasheng Investment Ltd. As at 31 December 2018, the total drawdown is £47.6 million (2017: £27 million).

Furthermore, financial support is also provided by CGN Energy Europe S.A.S. who has indicated that for at least 12 months from date of approval of these financial statements, they will continue to provide support to enable the Company to continue trading and meet their liabilities as they fall due.

Taking the above into consideration, and having evaluated the ability of CGN Europe S.A.S. to provide the necessary support, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared assuming the Company will continue as a going concern.

#### **Post balance sheet events**

All the wind turbines commenced operation in March 2019. The operational performance is in line with expectations.

There were no other significant post balance sheet events affecting the financial position of the company which could require adjustment to the financial statements or the inclusion of a note since the year end.

**BRENIG WIND LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Future outlook**

The future development and outlook has been discussed in the Strategic Report.

**Auditor**

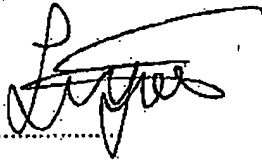
Deloitte LLP was appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006. A resolution proposing that they be re-appointed will be put at a General Meeting.

**Statement of disclosure to auditor**

So far as each person who is a Director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board



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**You Li**  
Director

Date: 11/12/2019

## **BRENIG WIND LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Directors' responsibilities statement**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards and applicable law), 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 accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **BRENIG WIND LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRENIG WIND LIMITED**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Brenig Wind Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

##### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

## **BRENIG WIND LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRENIG WIND LIMITED**

#### **Responsibilities of Directors**

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

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

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

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

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

#### **Report on other legal and regulatory requirements**

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

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

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

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

#### **Use of our report**

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

  
**Ivan Boonzaaier, FCA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

11 December 2019

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**BRENIG WIND LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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		Year ended 31 December 2018 £	Year ended 31 December 2017 £
Administrative expenses		(32,013)	(9,583)
Operating loss		(32,013)	(9,583)
Other gains and losses		(121,698)	49,078
Interest receivable and similar income		845	227
(Loss) / profit before taxation	3	(152,866)	39,719
Tax on (loss)/profit	4	-	-
(Loss) / profit for the financial year		(152,866)	39,719

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income for 2018 (2017: nil). Therefore no separate statement of comprehensive income has been presented.

**BRENIG WIND LIMITED****BALANCE SHEET****AS AT 31 DECEMBER 2018**

		2018	2017
	Notes	£	£
<b>Non-current assets</b>			
Property, plant and equipment	6	49,985,741	24,941,709
			24,941,709
<b>Current assets</b>			
Cash at bank and in hand		1,770,140	3,603,470
Trade and other receivables	7	5,854,604	9,908,103
		7,624,744	13,511,573
Trade and other payables amounts falling due within one year	8	(51,464,475)	(33,092,406)
<b>Net current liabilities</b>		(43,839,731)	(19,580,833)
<b>Provisions for liabilities</b>			
Decommissioning provision	9	(938,000)	-
<b>Total assets less total liabilities</b>		5,208,010	5,360,876
<b>Net assets</b>		5,208,010	5,360,876
<b>Capital and reserves</b>			
Share capital	10	3,350,000	3,350,000
Profit and loss reserve	10	1,858,010	2,010,876
<b>Total equity</b>		5,208,010	5,360,876

The financial statements were approved by the board of Directors and authorised for issue on 11/12/2019 and are signed on its behalf by:



You Li  
Director

Company Registration No. 06001931

The notes on pages 11 to 20 form part of these financial statements.

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**BRENIG WIND LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Share capital	Profit and loss reserve	Total
	£	£	£
Balance at 1 January 2017	3,350,000	1,971,157	5,321,157
Profit for the year	-	39,719	39,719
Balance at 31 December 2017	3,350,000	2,010,876	5,360,876
Loss for the year	-	(152,866)	(152,866)
Balance at 31 December 2018	3,350,000	1,858,010	5,208,010

The notes on pages 11 to 20 form part of these financial statements.

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## **BRENIG WIND LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Company Information**

Brenig Wind Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The registered office is First Floor, St Martin's House, 3 Priory Court, Pilgrim Street, London, England, EC4V 6DE.

The principal activity of the company is that of construction and operation of wind farms.

#### **1 Accounting policies**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention.

Brenig Wind Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Brenig Wind Limited is consolidated in the financial statements of its parent, CGN EE Wales Holdings Limited, which may be obtained at the company's address. Exemptions have been taken in relation to the presentation of a cash flow statement, transactions with fellow group companies and financial instruments.

The principal accounting policies adopted are set out below.

#### **Going concern**

The financial statements have been prepared assuming the Company will continue as a going concern.

The Directors consider it appropriate to prepare the financial statements on a going concern basis. Further details and explanation regarding the adoption of the going concern basis can be found in the Directors report.

#### **Property, plant and equipment**

Property, plant and equipment are stated in the balance sheet at cost less any subsequent accumulated depreciation and any recognised impairment loss.

All expenditure directly attributable to bringing the wind farm into the location and condition necessary for use is capitalised. Costs include turbine costs, land operating lease rentals, grid connection, civil engineering, cabling, lease related costs, community funds, telecoms, direct labour and the costs of materials.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful economic life as follows:

Wind farm	20 years
Decommissioning assets	20 years
Property, plant and equipment	5 years

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**BRENIG WIND LIMITED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting policies (continued)****Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

**Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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**BRENIG WIND LIMITED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting policies (continued)****Financial instruments (continued)*****Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Interest receivable income**

Interest income is interest income on bank deposits which attract interest at prevailing deposits interest rates.

**Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.



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**BRENIG WIND LIMITED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018**

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**I Accounting policies (continued)****Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous periods.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Commitments and contingencies**

Commitments and contingent liabilities are disclosed in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefit is probable.

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

**Borrowing costs**

All borrowings costs are recognised in the profit and loss in the period in which they are incurred except for borrowing costs attributable to qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is to be capitalised as a cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

**Decommissioning costs**

Provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the wind farm. This provision is made when construction of the wind farm has reached a stage when decommissioning of the constructed plant would incur material costs. The provision is calculated using estimated costs of decommissioning and these estimated have been arrived at by consideration of the expected costs of contracts to remove the installed plant. The estimates are discounted at a rate that reflects current market assessments of the time value of money. A corresponding asset is recognised and included within the wind farm assets and depreciated over the life of the wind farm. The estimated future cost of decommissioning obligations is regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology.

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## BRENIG WIND LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2018

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## 2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amount reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

### Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and underlying are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within future financial years is as below.

### Impairment of Windfarm

An assessment is made annually whether property, plant and equipment and intangible assets have suffered any impairment losses. In the current year there were no impairment triggers identified and therefore no impairment assessment has been performed.

The assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. An impairment exists when the carrying value of non-financial assets or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from internal budgets and do not include significant future investments that will enhance the asset's performance of the cash generating unit being tested. The key assumptions are a discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Other assumptions involved current market quotations from technical suppliers, independent professional consultants for wind speeds forecast, and CPI, RPI that are publicly available.

### Decommissioning provision

Provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the wind farm. This provision is made when construction of the wind farm has reached a stage when decommissioning of the constructed plant would incur material costs. The provision is calculated using estimated costs of decommissioning, and these estimates have been arrived at by consideration of the expected costs of contracts to remove the installed plant. The estimates are discounted at a rate that reflects current market assessments of the time value of money. A corresponding asset is recognised and included within the wind farm assets and depreciated over the life of the wind farm. The estimated future costs of decommissioning obligations are regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology. An average inflation rate of 2.1% and a pre-tax discount rate of 1.5% have been applied as part of the review.

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**BRENIG WIND LIMITED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018**

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**3 (Loss) / profit before taxation**

	2018	2017
(Loss) / profit for the period is stated after	£	£
Foreign exchange losses / (gains)	121,699	(49,078)
Audit Fees	6,200	6,200

Operating lease charges of £328,605 (2017: £328,605) for land have been capitalised during the period.

**4 Taxation**

The actual charge for the year can be reconciled to the expected credit for the year based on the loss and the standard rate of tax as follows:

	2018	2017
	£	£
(Loss) / profit before taxation	(152,866)	39,719
Expected tax (credit) / expense based on the standard rate of corporation tax in the UK of 19%	(29,044)	7,646
Expenses not deductible	1	-
Group relief	22,971	-
Unrecognised deferred tax	6,072	(7,646)
Taxation for the year	-	-

**Factors that may affect future tax charges**

The company has gross tax losses of £313,474 (2017: £160,608) available for carry forward against future trading profits.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates set at 19%. In the Budget on 16 March 2016, the UK Government proposed, amongst other things, UK corporation tax will be 19% with effect from 1 April 2017 and further reduction to 17% with effect from 1 April 2020.

The deferred tax asset has not been recognised in the financial statements due to uncertainties of future profits. The Directors consider that it is prudent not to carry forward a deferred tax asset.

**BRENIG WIND LIMITED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018****5 Financial instruments**

	2018 £	2017 £
<b>Carrying amount of financial assets</b>		
Trade and other receivables	324,915	319,387
Cash and cash equivalents	1,770,140	3,603,470
Amounts owed by group undertakings	2,148,715	2,148,715
	<u>4,243,770</u>	<u>6,071,572</u>
<b>Carrying amount of financial liabilities</b>		
Trade and other payables	2,180,554	3,117,551
Amounts owed to group undertakings	48,870,730	28,930,256
	<u>51,681,284</u>	<u>32,047,807</u>

Financial assets measured at amortised cost comprise cash, other debtors and intercompany balances.

Financial liabilities measured at amortised cost comprise short term creditors and intercompany balances repayable on demand.

**6 Property, plant and equipment**

<i>Cost</i>	Windfarm £
At 1 January 2018	24,941,709
Additions	24,106,032
Change in decommissioning assets (note 9)	938,000
At 31 December 2018	<u>49,985,741</u>
 Net book value at 31 December 2018	 <u>49,985,741</u>
 Net book value at 31 December 2017	 <u>24,941,709</u>

Depreciation of these assets will commence when the assets are ready for their intended use. During the year, an amount of £625,135 (2017: £22,869) of borrowing costs were capitalised within the asset.

**BRENIG WIND LIMITED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018****7 Trade and other receivables**

	2018	2017
	£	£
<b>Amounts falling due within one year:</b>		
VAT/WHT repayable	111,068	2,058,549
Payment in advance	2,596,103	5,223,727
Amount owed by Parent Company	2,148,715	2,148,715
Prepayments	674,430	152,824
	<u>5,530,316</u>	<u>9,583,815</u>
	2018	2017
	£	£
<b>Amounts falling due after one year:</b>		
Other debtors	<u>324,288</u>	<u>324,288</u>
<b>Total debtors</b>	<u>5,854,604</u>	<u>9,908,103</u>

Other debtors include £324,916 (2017: £324,288) receivable after more than one year for monies held in Escrow accounts.

On 21 November 2017, the company provided a borrowing of £2,148,715 to its parent company. This borrowing is interest free and is repayable on demand.

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

	2018	2017
	£	£
Trade creditors	1,824,464	2,644,143
Amounts due to group undertakings	659,410	1,387,600
Loans	48,211,320	27,542,656
Other creditors	734,431	473,408
Accruals and deferred income	34,850	1,044,599
	<u>51,464,475</u>	<u>33,092,406</u>

The terms of the amounts due to group undertakings are interest free and repayable on demand.

During 2017, the company obtained a short term loan facilities of £60 million from CGNPC Huasheng Investment Limited. On 10 November 2019, the facility was extended to 10 May 2020 and the actual drawdown as at the date of balance sheet amounting to £47.6 million (2017: £27 million). The loan is repayable in 12 months with interest rate of 2.2% plus 3 month LIBOR.

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**BRENIG WIND LIMITED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018**

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**9 Provision**

	2018 £	2017 £
Decommissioning Provision	938,000	-
	<u>938,000</u>	<u>-</u>

The decommissioning provision is determined as the net present value of the estimated future decommissioning costs at the end of the operation life of each wind farm. An average inflation rate of 2.1% has been applied and then discounted at a pre-tax rate of 1.5%. The expected years in which these provisions will be settled are estimated in 2029.

**10 Share capital**

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
3,350,000 Ordinary shares of £1 each	<u>3,350,000</u>	<u>3,350,000</u>

The company has one class of share that carry no right to fixed income.

*Profit and loss reserves*

The profit and loss reserve represents cumulative profit or losses, net of dividends

**11 Capital commitments**

The company has committed to building of the electricity connection between the windfarm to the distribution system. Total balance of the committed expenditure is £5,755,128 (2017: £30,451,307) payable from January 2019 to December 2019.

**12 Operating Lease**

At 31 December 2018 the Company had total commitments under non-cancellable operating leases on land as set out below. Operating lease costs on land have been capitalised during the year as the underlying asset is under construction:

	2018 £	2017 £
Operating leases which expire:		
- Not later than one year	491,000	316,000
- Later than one year and not later than five years	1,963,000	1,266,000
- Later than five years	9,079,000	6,274,000
	<u>11,533,000</u>	<u>7,856,000</u>

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**BRENIG WIND LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**13 Related party transactions**

The company has taken advantage of the exemption in accordance with FRS 102, paragraph 33.1.A 'Related party disclosures' from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

**14 Employees**

The company has no employees other than the Directors, who did not receive any remuneration.

**15 Controlling party**

The immediate parent company is CGN Europe Energy Wales Holding Limited, a company registered in England and Wales.

The entity regarded by the Directors as being the ultimate parent undertaking and controlling party is China General Nuclear Power Corporation (CGNPC). This is the largest group for which consolidated financial statements are prepared. Copies of the financial statements of CGNPC can be obtained at its registered address: Shenzhen Science & Technology Building, No.1001 Shangbuzhong Road, Futian District, Shenzhen, P.R.China. The smallest group for which consolidated financial statements are prepared is CGN Europe Energy Wales Holding Limited. Copies of the financial statements of CGN Europe Energy Wales Holding Limited can be obtained at its registered address: Floor 1 Devonshire House, One Mayfair Place, London W1J 8AJ.