

WEST BROWNCastle WIND ENERGY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

**Company number
SC450708**



WEST BROWNCASTLE WIND ENERGY LIMITED

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Year ended 31 December 2021

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WEST BROWNCastle WIND ENERGY LIMITED

DIRECTORS' REPORT

Year ended 31 December 2021

Registered No. SC450708

The Directors present their annual report for the year ended 31 December 2021.

Dividends

The Company does not recommend the payment of a dividend (2020: £nil).

Future developments

On 20 October 2021 it was announced that the Infrastructure Investments Fund ("IIF"), an investment vehicle advised by J.P. Morgan Investment Management, has reached an agreement to acquire Falck SpA's 60% shareholding in Falck Renewables S.p.A which is the parent undertaking of the Company. IIF will partner with Falck Renewables S.p.A to accelerate its growth plan and reinforce its leadership position in the renewable energy sector.

Events since the balance sheet date

On 24 February 2022, Green Bidco SpA, a company controlled by IIF Int'l Holding LP, completed the purchase of the 60% shareholding in Falck Renewables SpA.

Donations

The Company made a donation of £94,000 (2020: £95,000) to a local community foundation for the benefit of the local residents. The contributions are used for local community projects at the discretion of the foundation.

Directors of the Company

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

D Picton-Turbervill

R S Dibley

P P Adam

The Company secretary who held office during the year and subsequent to the year end was TMF Corporate Administration Services Limited

Directors' liabilities

The holding company of the Falck Renewables Wind Limited Group, Falck Renewables S.p.A, maintains directors' and officers' liability insurance with a third party which gives appropriate coverage, at certain terms and conditions, for losses/liabilities arising from claims made against the Company's directors.

Financial Instruments

The Company finances its activities with a combination of bank loans, loans from its parent company, cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate risks arising from the Company's operations and its sources of finance.

Financial Instruments give rise to interest rate, credit, price and liquidity risk. Information on how these risks arise is set out below, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Use of derivatives

The Company uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements. Hedge accounting is used when certain criteria is met as explained in the accounting policy note on page 17.

Market interest rate risk

The Company uses a combination of financing from third parties as well as its parent company. These loans carry interest at market related rates, resulting in market interest rate risk. These risks are evaluated on an ongoing basis and interest rate swaps are generally put in place to limit this risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance by monitoring levels of debt finance and the related finance costs.

In order to ensure the stability of cash outflows, the Company has taken out loans which are repayable in instalments over terms of at least 15 years. To reduce exposure to interest rate risk, the Company ensures it has an appropriate balance between fixed and floating rate loans and uses interest rate swaps where necessary to pay an effective fixed rate of interest.

WEST BROWNCASTLE WIND ENERGY LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 December 2021

Financial instruments (continued)

Credit risks

The Company sells electricity under the terms of a power purchase agreement. The contract is dependent on the buyer being able to honour its responsibilities. This risk is regarded as low as the buyer is a well-established major electricity supply company with good credit ratings.

Liquidity risk

As mentioned under market interest rate risk, the Company is part financed by loans from its parent companies. The risk of the parent companies discontinuing the provision of financing is regarded as low

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to liquidity, credit risk are described in the Directors' Report on pages 3 and 4.

Having reviewed cash flow forecasts for the next 12 months from the date of the approval of the Financial Statements the directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' statement as to the disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditor

PricewaterhouseCoopers LLP ("PwC") was appointed as the company's external auditor. A resolution proposing the reappointment of PwC was approved at a Board Meeting.

Small companies exemption

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415b of the Companies Act 2006.

WEST BROWNCASTLE WIND ENERGY LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 December 2021

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

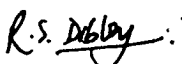
Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

On behalf of the Board



R S Dibley
Director

14 March 2022

Independent auditors' report to the members of West Browncastle Wind Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, West Browncastle Wind Energy Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the renewable energy industry in the UK, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities

for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to overstate revenue or understate expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- gaining an understanding of the legal and regulatory framework applicable to the company and the renewable energy industry in the UK;
- enquiry of management and those charged with governance around actual and potential litigation and claims and any instances of non-compliance with laws and regulations;
- Challenging the assumptions and judgements made by management in relation to their accounting judgements and estimates; and
- Identifying and testing of any irregular journals posted during the year.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Duncan Hunter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 March 2022

WEST BROWNCastle WIND ENERGY LIMITED**STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2021**

	Note	2021 £'000	2020 £'000
Turnover		9,186	7,758
Operating expenses	3	(4,187)	(4,158)
Operating Profit		4,999	3,600
Interest receivable and similar income	4	1	7
Interest payable and similar cost	4	(1,377)	(1,602)
Profit on ordinary activities before taxation		3,623	2,005
Tax on profit on ordinary activities	5	(1,727)	(775)
Profit on ordinary activities after taxation		1,896	1,230
Other comprehensive income/ (expense)			
Items that may be reclassified to profit or loss			
Cash flow hedges:			
Gains/(Losses) arising during the year		1,694	(1,161)
Tax on items related to components of other comprehensive income		(302)	238
Other comprehensive income/(expense) for the year net of tax		1,392	(923)
Total comprehensive income for the year		3,288	307

All profits arise as a result of continuing operations.

The notes on pages 12 to 28 form an integral part of these financial statements.

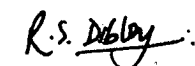
WEST BROWNCASTLE WIND ENERGY LIMITED
BALANCE SHEET
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Tangible assets	6	34,840	37,602
Right-of-use assets	7	5,117	5,410
		<u>39,957</u>	<u>43,012</u>
Current assets			
Trade and other debtors	8	3,945	2,174
Cash at bank and in hand	9	2,298	2,074
		<u>6,243</u>	<u>4,248</u>
Total assets		<u>46,200</u>	<u>47,260</u>
Equity			
Share capital	10	-	-
Other reserves		(246)	(1,638)
Retained earnings		2,999	1,103
Total equity		<u>2,753</u>	<u>(535)</u>
Non-current liabilities			
Loans	11	27,917	29,318
Deferred tax liabilities	12	4,181	2,913
Derivative financial instruments	13	328	2,022
Provision for liabilities and charges	14	1,655	2,044
Lease liabilities	7	5,893	6,043
		<u>39,974</u>	<u>42,340</u>
Current liabilities			
Loans	11	2,736	4,789
Trade and other creditors	15	536	488
Lease liabilities	7	201	178
		<u>3,473</u>	<u>5,455</u>
Total liabilities		<u>43,447</u>	<u>47,795</u>
Total equity and liabilities		<u>46,200</u>	<u>47,260</u>

The notes on pages 12 to 28 form an integral part of these financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 101 Reduced Disclosure Framework.

The financial statements of West Browncastle Wind Energy Limited were approved by the Board of Directors on 14 March 2022 and were signed on its behalf by:



R S Dibley
Director

WEST BROWNCASTLE WIND ENERGY LIMITED**STATEMENT OF CHANGES IN EQUITY****Year ended 31 December 2021**

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	-	(715)	(127)	(842)
Profit on ordinary activities after taxation	-	-	1,230	1,230
Other comprehensive expense	-	(923)	-	(923)
Total comprehensive income/(expense) for the year	-	(923)	1,230	307
At 31 December 2020	-	(1,638)	1,103	(535)
Profit on ordinary activities after taxation	-	-	1,896	1,896
Other comprehensive income	-	1,392	-	1,392
Total comprehensive income for the year	-	1,392	1,896	3,288
At 31 December 2021	-	(246)	2,999	2,753

Other reserves relate to the cash flow hedge.

The notes on pages 12 to 28 form an integral part of these financial statements.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

1 General information

West BrownCastle Wind Energy Limited's ("the Company") principal activity is the generation of renewable energy through the development, construction and operation of the West BrownCastle wind farm, located in Strathaven, Scotland.

The Company is a private limited company incorporated and domiciled in Scotland, UK. The Company is limited by shares and the address of its registered office is Beaul House, Dochfour Business Centre, Dochgarroch, Inverness, IV3 8GY.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of West BrownCastle Wind Energy Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2(r).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B– D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134– 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

(b) New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Additionally, except for the "Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16", which has been detailed below, no new accounting standards, amendments, IFRIC interpretations are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)

Effect of IBOR reform

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the company's financial statements.

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators.

On 23 December 2021, the Company amended the agreement in place with the swap and debt counterparties to update the floating rate of interest due to the IBOR reform, from 30 June 2022 the main floating rate will transition from LIBOR + margin to SONIA (Sterling Overnight Index Average) + margin. The maximum exposure to credit risk at the reporting date is the fair value of the derivative liabilities in the balance sheet for the portion of the loan covered by the interest.

The debt and related hedging swaps transitioned at the same time and have the same terms, therefore the hedge is deemed to still be effective and no additional risks related to the ineffectiveness of the hedge accounting have been identified by the Company.

Hedge relationships

The 'phase 2' amendments address issues arising during interest rate benchmark reform, including specifying when the 'phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

For the year ended 31 December 2021, the Company has adopted the following hedge accounting reliefs provided by 'Phase 2' of the amendments. Hedge designation: the Company amended its hedge designation to reflect changes which are required by IBOR reform. The Company has amended the hedge designation reference rate terms from LIBOR to SONIA + margin of 0.28%.

The Company has updated and amended its hedge documentation to reflect the changes described above on 22 December 2021. These amendments to the hedge documentation did not require to the Company to discontinue its hedge relationships.

Amounts accumulated in the cash flow hedge reserve: because the Company amended its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on SONIA from 30 June 2022.

Risk components: During the period, the Company designated SONIA as the alternative benchmark rate designated as a non-contractually specified risk component.

Long-term debt and lease liabilities

'Phase 2' of the amendments requires that, for financial instruments measured using amortised cost measurement changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised.

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

For the year ended 31 December 2021, the Company has applied the practical expedients provided under 'phase 2' to amendments to £29,709,000 of its long-term debt.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)

(c) Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to liquidity, price, credit risk are described in the Directors' Report on page 3.

Having reviewed cash flow forecasts for the next 12 months from the date of the approval of the Financial Statements the directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(d) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the individual transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate ruling at the balance sheet date are recognised in the profit or loss. Non-monetary assets and liabilities that are not carried at fair value are not subsequently restated and are carried at the rate of exchange at the date they are acquired.

(e) Trade and other debtors

Trade receivables are amounts due from customers for the sale of electrical energy in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The amount of the loss is recognised in profit or loss within operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

(f) Turnover

Revenue from contracts with national energy suppliers is recognised when the electricity is transferred to the customer at an amount that reflects the consideration the Company expects to be entitled in exchange for the electricity, as described below:

- Income from the sale of Electrical Energy

The Company sells electricity under the terms of power purchase agreements ("PPAs"). Under such arrangements revenue is recognised according to contractual prices per unit of output multiplied by the actual power output delivered to the customer in the period.

A Renewable Obligation Certificate ("ROC") is a green certificate issued to accredited generators for eligible renewable electricity. One ROC is issued for each megawatt hour of eligible renewable electricity generated. Income from the sale of ROCs is recognised at the point of sale of the associated electricity at contractually agreed amounts. Income due to the Company from the operation of the ROCs recycling scheme is estimated on the basis of market data. Please refer to note 2(m) for further description of the ROCs recycling revenue estimate.

Turnover also comprises embedded benefits that are savings or payments available from the Company's generating stations that are directly connected to distribution networks. The revenue or expense is based on the embedded benefits rate, which is a half hourly rate from the market multiplied by the net generation and recognised when communicated by the off taker to the Company.

Income from the sale of electrical energy is recognised net of VAT and other sales taxes. Standard payment terms from the sale of Electrical Energy is within 30 days of invoice date".

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)

(g) Tangible assets

Plant and equipment are principally wind farms comprising, inter alia, wind turbines and the balance of plant, including substations, and are stated at acquisition cost, net of accumulated depreciation (see below) and impairment losses. Costs include amounts payable to third party contractors for the construction of wind farms and other costs that are directly attributable to bringing assets into working condition for their intended use. The cost also includes, where relevant,

- (i) the initial estimate at the time of installation of the costs of dismantling and removing the wind farm and of restoring the site on which it is located to its original condition and;
- (ii) changes in the measurement of existing liabilities recognised for those costs during the period of use resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Costs related to assets under construction are capitalised where, in the opinion of the Directors, the related project is highly likely to be successfully developed and the economic benefits arising from future operations will exceed the amount of capitalised expenditure incurred to date and the cost can be measured reliably. Costs incurred prior to meeting the criteria for capitalisation are recorded as an expense within operating costs in the profit or loss.

Loan costs which are directly attributable to assets under construction and which meet the criteria in IAS23 are capitalised as part of the cost of those assets. Capitalisation ceases when the asset is fully operational.

Depreciation is provided on all tangible assets (except assets under construction which are not depreciated), at rates calculated to write off the cost, less estimated residual value, on a straight line basis over their expected useful lives.

Depreciation is calculated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives are as follows:

- Plant and machinery: 22 years

Depreciation commences when the asset is ready for its intended use. The residual values, if not insignificant, and remaining useful lives are reassessed at each balance sheet date. When parts of an item of tangible assets have different useful lives, those components are accounted for as separate items of tangible assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are recognised within Other income / (expenditure) net in the profit or loss.

Plant and machinery are reviewed for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets are reviewed for possible reversal at each reporting date.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)

(h) Leases

The Company assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

-Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. For the right-of-use assets held by the Company, the shorter of the two terms is the estimated useful life of 22 years.

-Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

(i) Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans in current liabilities on the balance sheet where no right of set off exists.

(j) Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Loans and loan costs

All loans are initially recognised at the fair value of the consideration received net of issue costs associated with the loan. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value and other loan costs is recognised in the profit and loss account over the period of the loans using the effective interest method.

Loan costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other loan costs are expensed.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)

(I) Financial instruments and hedging activities

(i) Initial recognition and measurement

The company classifies its financial assets in the following categories:

- Amortised cost.
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss. The Company's financial assets include cash and short-term deposits, trade and other receivables, loan notes and unquoted financial instruments, and derivative financial instruments.

ii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

iii) Financial assets at fair value through profit or loss

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the notes. analysis of fair values of financial instruments and further details as to how they are measured are provided in the notes (Note 13).

iv) Loss of value

IFRS 9 requires the Company to record expected credit losses on its portfolio, loans and trade receivables referring to a period of either 12 months or the entire duration of the instrument's contract (e.g. lifetime expected loss). The Company applies the simplified approach, recognising expected credit loss on all receivables based on their residual contractual duration. The Company has calculated that its credit risk is generally very low, both in terms of trade clients (mainly electricity service providers or high standing utilities) and financial clients (leading banks).

Hedging activities

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

WEST BROWNCASTLE WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)

(m) Financial instruments and hedging activities (continued)

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedge of a net investment in a foreign operation.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to profit or loss. Any gains or losses from derivatives that do qualify for hedging accounting are recognised in equity.

(n) Income Taxes

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the Company's profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income 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 periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

(o) Share capital and other reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Interest receivable and payable

Interest payable is recognised on a time-proportion basis using the effective interest rate method and expensed in the profit and loss account.

Interest receivable is recognised on a time-proportion basis using the effective interest method.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)

(q) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Where contractually obliged, the Company creates provisions for the decommissioning of wind turbines from wind farms and environmental restoration. The decommissioning and restoration provisions reflect the present value if material, at the balance sheet date, of the estimated cost. The provisions are reviewed at each balance sheet date and are adjusted to reflect the present value of the expense expected to be realised for the settlement of the liability.

The future cost is recognised as an increase in the acquisition value of wind turbines. The depreciation expense of capitalised decommissioning and restoration costs are included in the profit and loss account together with the depreciation charge on wind farm assets. Any change in estimation in the estimated cost or the discount rate are added or deducted from the tangible asset's cost. The discounting effect on the provision is recorded in the profit and loss account as a finance cost.

(r) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

(s) Critical accounting estimates and judgements

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.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property plant and equipment

The Company estimates the useful lives and residual value of wind farm assets and other tangible assets and reviews these estimates at each financial period end. The Company also tests for impairment at least once a year and when a trigger event occurs. See note 6 for the carrying amount of the property plant and equipment and note 2f for the useful economic lives for each class of asset.

Estimation of decommissioning provision

The Company estimates, at the time of construction, the likely cost of removing wind farm equipment and making good the damage to the site where a contractual decommissioning and restoration obligation exists. The estimated costs of decommissioning and subsequent site restoration are reviewed periodically and a provision is made for the estimated decommissioning cost at the balance sheet date. The provision reflects the present value of (based on an appropriate discount rate) 1,655,000 (2020: £2,044,000), at the balance sheet date of the costs of decommissioning the wind farm at the end of its useful life. An increase of 5% on estimated decommissioning costs would increase the decommissioning provision by £83,000. A decrease of 5% on estimated decommissioning costs would decrease the decommissioning provision by £83,000.

Recognition of ROCs recycling

Revenue includes management's estimate of the recycled benefit to be received in relation to the ROCs generated during the year. Income from recycled benefit is variable and dependent on a number of factors including the UK's electricity demand and the targeted as well as actual level of renewable energy generated in the UK. ROCs recycling revenue is estimated on the basis of market data. The market reports have a wide and uncertain range of estimated prices. The accrued income for ROC recycle was recognised with the assumption of £4.06 per ROC. A ROC value of £12,000 was recorded in the year. An increase of £2 per ROC would increase the accrual by £58,000 whereas a decrease of £2 per ROC would decrease the accrual by £58,000.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2 Accounting policies (continued)**Critical judgements in applying the Company's accounting policies**

There are no critical judgements that have been made in applying the company's accounting policies that have had a material impact on the financial statements.

3 Operating Expenses

	2021 £'000	2020 £'000
Variable Lease expense and council tax	270	318
Depreciation	2,711	2,688
Maintenance	533	565
Grid connection	112	102
Other	561	485
	<u>4,187</u>	<u>4,158</u>

The company accrued £16,000 (2020: £14,000) to its auditors in respect of the audit of the financial statements.

No remuneration was paid to the directors for services to the Company (2020: £nil). The parent company pays the directors directly.

There are no employees in the Company and therefore no employee costs (2020: £nil).

The other amount includes intercompany costs of £153,000 from Falck Renewables Wind Limited that were incurred during the year (2020: £153,000).

During the year, the Company received a refund of £48,000 for council tax (2020: £nil)

4 Net interest and similar costs

	2021 £'000	2020 £'000
Interest payable		
Bank fees and other charges	(29)	(27)
On loans from related parties	(110)	(246)
Bank loans	(883)	(1,067)
Other costs	(124)	(25)
Interest cost on lease liabilities	(231)	(237)
	<u>(1,377)</u>	<u>(1,602)</u>
Interest receivable		
Bank interest receivable	1	7
	<u>(1,376)</u>	<u>(1,595)</u>

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

5 Tax expense

	2021 £'000	2020 £'000
Current tax charge - prior year	-	(15)
Current tax charge - current year	(761)	(380)
Deferred tax charge (Note 12)	(966)	(380)
	<u>(1,727)</u>	<u>(775)</u>

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK applicable to profits of the Company as follows:

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation	3,623	2,005
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	(689)	(381)
Expenses not deductible for tax purposes	(41)	(45)
Adjustments for prior year	(1)	(7)
Change in deferred tax rate	(996)	(342)
	<u>(1,727)</u>	<u>(775)</u>

Please refer to note 12 for details regarding the changes in deferred tax rates.

6 Tangible assets

	Plant and machinery £'000
Cost	
At 1 January 2020	53,138
Additions	158
At 31 December 2020	53,296
Disposals	(398)
At 31 December 2021	52,898
Accumulated depreciation	
At 1 January 2020	13,350
Charge	2,344
At 31 December 2020	15,694
Charge	2,364
At 31 December 2021	18,058
Net book amount	
At 31 December 2021	34,840
At 31 December 2020	37,602

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

7 Right-of-use assets & lease liabilities

	Land £'000
At 1 January 2020	5,459
Additions	295
Depreciation expense	(344)
At 31 December 2020	5,410
Additions	54
Depreciation expense	(347)
At 31 December 2021	<u>5,117</u>

Set out below are the carrying amounts of lease liabilities (included under Lease liabilities) and the movements during the year.

	Lease liability £'000
As at 1 January 2020	6,078
Accretion of interest	237
Inflation	294
Payments	(388)
At 31 December 2020	6,221
Accretion of interest	231
Inflation	54
Payments	(412)
At 31 December 2021	<u>6,094</u>

Analysis of lease liabilities amounts due by contractual maturity:

	2021 £'000	2020 £'000
Not later than one year	426	411
Between 1 and 5 years	1,955	433
Later than 5 years	5,336	7,478
	<u>7,717</u>	<u>8,322</u>

The comparative figures have been restated to be in line with the basis of preparation for 2021. The basis of preparation is that they are shown as at their undiscounted value rather than amortised cost.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

8 Trade and other debtors

	2021 £'000	2020 £'000
Current		
Trade debtors	3,679	1,891
Accrued income and prepayments	203	210
Corporation tax	-	26
VAT receivable	63	47
	<u>3,945</u>	<u>2,174</u>

9 Cash at bank and in hand

	2021 £'000	2020 £'000
Cash at bank and in hand	<u>2,298</u>	<u>2,074</u>

As part of the security package for bank loans, the Company is required to set aside cash as security for scheduled repayments. At year end £nil (2020: £1,089,000) included above was restricted for this purpose.

10 Share capital

	2021 Number	2020 Number	2021 £'000	2020 £'000
Authorised and issued ordinary shares				
Ordinary shares with a par value of £1	<u>100</u>	<u>100</u>	-	-
	<u>100</u>	<u>100</u>	-	-

All issued shares are fully paid. There are no differential rights, restrictions or preferences attached to the different classes of shares above.

11 Loans

	2021 £'000	2020 £'000
Non-current		
Bank loans	<u>27,917</u>	<u>29,318</u>
	<u>27,917</u>	<u>29,318</u>
Current		
Bank loans	1,402	1,164
Amounts due to related parties (Note 16)	1,334	3,625
	<u>2,736</u>	<u>4,789</u>
Total loans	<u>30,653</u>	<u>34,107</u>

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

11 Loans (continued)

Bank loans are denominated in sterling, repayable in instalments over 12 years ending 31 December 2033 and are secured over the shares of the Company. Interest and principal repayments are payable half yearly subject to the availability of funds and these loans bear interest at 6 month LIBOR plus a 1.6% margin until the 17 June 2021 and at 6 month LIBOR plus 1.8% margin from this point onward. The loans are subject to certain financial covenants, all of which were met at 31 December 2021.

Amounts due to related parties are unsecured and have no fixed terms of repayment. The loan carried interest at 5.09% until 18 June 2021; from 18 June 2021 the interest rate was 5.29% for the remainder of the year (2020: 5.09%). See note 13 for details of transition to SONIA.

The amortised cost (carrying amount) and fair value of loans are as follows:

	Amortised cost		Fair value	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans	29,319	30,482	29,709	30,983
Amounts due to related parties	1,334	3,625	1,334	3,625
	<u>30,653</u>	<u>34,107</u>	<u>31,043</u>	<u>34,608</u>

The difference between amortised cost and fair value is represented by transaction costs of £391,000 (2020: £501,000).

Analysis of financial liabilities (principal amounts: amounts due by contractual maturity):

	2021	2020
	£'000	£'000
Not later than 1 year	1,481	4,899
Between 1 year and 5 years	8,010	7,237
Later than 5 years	21,552	22,472
	<u>31,043</u>	<u>34,608</u>

The issued shares of the Company have been pledged as security for the loans. The shares are being held by the lenders "by way of security" as required by Scottish Law.

12 Deferred tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

	2021	2020
	£'000	£'000
Beginning of year – liability	(2,913)	(2,771)
Profit or loss charge	(966)	(380)
Other reserves debit/ (credit)	(302)	238
End of year - liability	<u>(4,181)</u>	<u>(2,913)</u>

WEST BROWNCASTLE WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

12 Deferred tax liabilities (continued)

The movement in deferred tax assets and liabilities during the year is as follows:

	Accelerated capital allowances £'000
Deferred tax liabilities	
At 1 January 2020	(2,922)
Charged to profit or loss	(380)
At 31 December 2020	(3,302)
Charged to profit or loss	(966)
Transfer from deferred tax asset	5
At 31 December 2021	(4,263)
	Fair value losses £'000
Deferred tax asset	
At 1 January 2020	151
Credited to other reserves	238
At 31 December 2020	389
Credited to other reserves	(302)
Transfer from deferred tax liability	(5)
At 31 December 2021	82

The calculation of deferred tax balances at the year-end is at the UK main corporation tax rate of 25%, which was enacted on 24 May 2021. The comparative period used the enacted tax rate at that time of 19% for all timing differences expected to arise after 1 April 2020. The change in enacted tax rate has resulted in an increase in the deferred tax liability and charge, which is shown in the tax note. Deferred tax in both the current and prior year has been calculated using the tax rates that are expected to apply in the periods in which temporary differences reverse.

WEST BROWNCastle WIND ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2021****12 Deferred tax liabilities (continued)**

These deferred tax balances are represented by:

	2021 £'000	2020 £'000
Tangible assets	4,263	3,298
Derivatives	(82)	(385)
	<u>4,181</u>	<u>2,913</u>

13 Derivative financial instruments

	2021 £'000 Assets	2021 £'000 Liabilities	2020 £'000 Assets	2020 £'000 Liabilities
Non-current				
Interest rate swaps	-	328	-	2,022

The Company uses derivatives to manage the risk associated with fluctuating interest rates on its long term loans. The derivatives held by the Company are for a period of thirteen years expiring in 2033.

The Company met the requirements for hedge accounting for interest rate swaps with effect from 1 July 2008. Changes in the fair value of interest rate swaps before hedge accounting was applied were recognised immediately in profit or loss within finance income/costs. Subsequent changes are recognised in equity and recycled to profit or loss in the period when the hedged item affects profit or loss.

There was no ineffectiveness to be recorded in 2021. The notional principal amount of the outstanding interest rate swap contracts at 31 December 2021 was £23,988,000 (2020: £25,294,000). At 31 December 2021, the fixed interest rate on the remaining contracts is 1.425% (2020: 1.425%). The main floating rate was LIBOR + margin.

On 23 December 2021, the Company amended the agreement in place with the facility provider and the lender to update the floating rate of interest due to the IBOR reform, from 30 June 2022. The main floating rate will transition from LIBOR + margin to SONIA + margin. The maximum exposure to credit risk at the reporting date is the fair value of the derivative liabilities in the balance sheet for the portion of the loan covered by the interest.

14 Provisions for liabilities and charges

	2021 £'000	2020 £'000
Non-current		
Balance at beginning of year	2,044	1,868
Provision reversed/ (made) in year	(398)	158
Discount unwinding	9	18
	<u>1,655</u>	<u>2,044</u>
Balance at end of year		

The decommissioning provision of £1,655,000 (2020: £2,044,000) comprises future obligations in relation to the decommissioning of plant and equipment at the end of its useful life in 2036, based on independent expert valuations. The decrease in the decommissioning provision is due to a change in the estimate of the long-term average annual inflation rate and the discount factor, and the valuation incorporating the updated estimate of dismantle cost and the associated cost to transport second hand turbines.

WEST BROWNCastle WIND ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

15 Trade and other creditors

	2021 £'000	2020 £'000
Current		
Trade creditors	363	349
Corporation tax payable	36	-
Amounts due to related parties (Note 16)	137	139
	<u>536</u>	<u>488</u>
Total trade and other creditors	<u>536</u>	<u>488</u>

Amounts due to related parties are mainly composed of group tax relief.

16 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 31 December 2021 with other related parties, are as follows:

		2021		2020	
		Due from related party £'000	Due to related party £'000	Due from related party £'000	Due to related party £'000
1. Parent Company	Trade	-	51	-	53
	Loans	-	1,334	-	3,625
2. Other Group subsidiaries	Trade	-	-	-	-
	Other	-	86	-	86
	Total	<u>-</u>	<u>1,471</u>	<u>-</u>	<u>3,764</u>

17 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Falck Renewables Wind Limited. The ultimate parent undertaking and controlling party at 31 December 2021 was Finmeria Srl, a company incorporated in Italy. On 24 February 2022, Green Bidco S.r.l. acquired a controlling stake in Falck Renewables SpA. The ultimate parent undertaking and controlling party is now IIF Int'l Holding LP. Finmeria Srl is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2021.

The consolidated financial statements of Finmeria Srl are available from Via Alberico Albricci 8, 20122 Milano, Italy. Falck Renewables SpA is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Falck Renewables SpA can be obtained from via Alberto Falck 4-16, 20099 Sesto San Giovanni, Italy.