Registration number: 06494525

Orsted West of Duddon Sands (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Orsted West of Duddon Sands (UK) Limited

Contents

Orsted West of Duddon Sands (UK) Limited

Company Information

Directors	Philip Henry de Villiers David Murray Hugh Alistair Yendole
Registered office	5 Howick Place London England SW1P 1WG United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London, England WC2N 6RH United Kingdom

Orsted West of Duddon Sands (UK) Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Review of the business

The principal activity of the company is the generation of electricity in the UK through the use of offshore wind technology from its site located in the East Irish Sea approximately 14 km from the nearest coast on Walney Island, Cumbria. The site comprises 108 wind turbines, giving total installed capacity of 389MW.

During the year the company continued electricity generation from its offshore site. Commercial generation is expected to continue for the foreseeable future.

The company's strategy is to maximise the lifetime value of the wind farm through active condition monitoring and maintenance to maintain high levels of availability and production. The company has an offtake agreement which provides secure revenues from power sales.

Objective

The company's strategic objectives are:

• Achieving zero accidents and breaches of environmental standards;
• Maximising energy production through high levels of availability;
• Maintaining long term asset condition and reliability; and
• Optimising costs.

Principal risks and uncertainties

The principal risk of the business relates to the ability of the company to run its operations in a financially efficient manner, which is mitigated through meeting its business objectives.

Non-compliance with statutory Health, Safety and Environment (HSE) obligations is also a principal risk. The company operates a comprehensive HSE management system, and actively monitors its performance in order to identify and implement improvements.

Key Performance Indicators and review of the year

The company measures its performance in line with its strategic objectives. Key performance indicators (KPIs) are used to measure progress against agreed targets for safe, responsible and sustainable operations.

The company's key financial and other performance indicators during the year were as follows:

	2021 £	2020 £
Revenue	151,500,014	112,157,314
Profit before tax	90,055,571	52,606,226
Company's net asset position	217,835,387	221,989,647

Revenue increased in 2021 mainly due to higher revenue from power sale as a result of higher energy price. Profit before tax in 2021 was higher than in 2020 primarily due to higher revenue. Company's net asset position as at 31 December 2021 was lower than as at 31 December 2020 mainly as a result of dividend payment in the year in excess of accounting profit for the year.

The company's key non-financial performance indicators are wind farm availability and the level of safety and environmental cases. A high level of availability is maintained by the company monitoring the effectiveness and efficiency of the wind farm on a regular basis. All safety and environmental cases are also reviewed by the management on a regular basis. For the current and prior year, the non-financial KPIs were broadly in line with management's expectation.

Section 172(1) statement

The company's long-term plan is to generate power revenue as well as ROC (Renewable Obligation Certificates) revenue for the life of the wind farm and to decommission the wind farm after the economic life. The directors review this long-term plan on an ongoing basis and to date no decision have been made to change the long-term plan.

The company does not have any employees. The directors use service providers for all operational activities. The directors ensure that any service provider act in due care towards its employees while working for the company including complying with the company's safety requirements.

The company fosters relationships through the selection of reliable operations service providers which ensures its customers are supplied with uninterrupted supply of clean electricity.

The company produces green energy thus having a low carbon impact on the environment. The company has employed service providers that are committed to operate with the aim to minimise their carbon footprint and employ local community members to perform these operational tasks.

The company has committed to restore the seabed to its original form once the wind farm has reached the end of its economic life.

The company has partnered up with reputable service providers to operate windfarm on their behalf.

The directors ensure they are complying with the above by reviewing service providers' operations reports, wind farm production numbers and safety site reports.

When making decisions the board of directors consider how this will impact all shareholders and ensure no preference is given to any shareholder.

Engagement with employees

The company has no employees, therefore the directors have appointed service providers that do engage with their employees on an ongoing and ethical way.

Approved by the Board and signed on its behalf by:

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Philip Henry de Villiers
Director

Date: Sep 29, 2022

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Incorporation
The company was incorporated in England on 5 February 2008 as a private company limited by shares under the Companies Act 2006.

The address of its registered office is 5 Howick Place, London, England, SW1P 1WG, United Kingdom.

As at 31 December 2021, the company was owned by Orsted Power (UK) Limited (100%).

As at 31 December 2020, the company was owned by Orsted Power (UK) Limited (100%).

Directors of the company
The directors, who held office during the year and up to the date of signing the financial statements, were as follows:

Philip Henry de Villiers

David Murray

Hugh Alistair Yendole

Principal activity
The principal activity of the company is the operation of an offshore wind farm located in the East Irish Sea approximately 14 km from the nearest coast on Walney Island, Cumbria.

Result for the year
The company's net result for the current financial year was a profit of £64,296,740 (2020: profit £42,492,000) which has been moved to retained earnings.

Dividend
During the year an interim dividend of £68,451,000 (2020: £106,156,000) was paid. The directors do not recommend a payment of a final dividend (2020: £-).

Climate change
The physical and transitional risks of climate change have been considered for their impact on the company and the financial statements, including forward looking estimates, and determined not to be material.

Political donations
During the year the company made no political donations and no individual donations to UK or non-UK political parties (2020: £-).

Future developments
Commercial generation is expected to continue until the end of the expected economic life of the wind farm, when the assets will be decommissioned.

Going concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management has considered all available information about the future, which is at least 12 months from the date of approval of the financial statements.

Financial risk management

The company is exposed through its operations to the following financial risks:

Market risk;
Credit risk; and
Liquidity risk

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. The company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the company's continuing profitability.

Management reviews and agrees policies for managing each of these risks, which are summarised below.

During the year the company did not use derivative financial instruments to hedge risk exposures.

1. Market risk

Market risk includes foreign currency risk.

Foreign currency risk

The company has only limited assets or liabilities in foreign currency. Also, the company has limited sales or purchase transactions in foreign currencies. As a result of this, the company's exposure to foreign currency risks is very limited.

2. Credit risk

Credit risk arises primarily from credit exposures to customers, from cash and cash equivalents with banks and financial institutions and receivables from parent and other group companies. Most of the business is based on prepayments which makes the risk of losses on receivables low. Customers' credit ratings are used to determine credit limits and management monitors the utilization of credit risks on an ongoing basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

3. Liquidity risk

The company generates sufficient positive cash flows to service its liabilities and planned development. Surplus cash is declared as dividend or used to pay off existing loans. Capital management is carried out to ensure low risk. Management monitors funding and liquidity and ensures the availability of required liquidity through cash management and committed facilities. The company's liquidity risk is primarily related to inter-company debt. Repayment of inter-company debt takes place when there is excess cash and after meeting the company's obligations. It is the company's policy to ensure adequate liquidity to satisfy their obligations to the group companies.

Capital components

The company defines its capital as equity, as presented in the statement of changes in equity. In order to maintain or adjust the capital structure, the company may return capital to the shareholder or issue new shares.

Capital management

The company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management monitor and review the broad structure of the company's capital on an ongoing basis.

Company's equity as at 31 December 2021 was £217,835,387 (as at 31 December 2020: £221,989,647).

COVID-19

On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak of COVID-19 a "Public Health Emergency of International Concern". The consequence of COVID-19, where many governments have decided to "close down countries" will have an impact on certain sectors of the world economy. Company operates in the essential sector.

In general, COVID-19 impacted the UK power market due to a lower demand for electricity which led to hours with negative prices from April to July, lower ROC recycle prices and higher balancing tariffs (BSUoS) from National Grid in 2020. This situation had a limited impact on company's financial performance during the year.

Since the outbreak of COVID-19 management continues to meet regularly, focusing on the health and safety of service providers' employees and on ensuring business continuity. Company's asset base has been fully operational and maintained normal availability rates. Management expects this to continue going forward.

Statement of Business Relationships

Details of our engagement with our key stakeholders including suppliers and offtakers, is set out in the Section 172 statement in the Strategic report.

Non-adjusting events after the financial year

The aggregate amount of the loan repaid after the reporting date but not recognised as liability at 31 December 2021 is £20,000,000.

Directors' liabilities

The company has in effect qualifying directors' indemnity insurance. This is a qualifying third party indemnity provision and was in force during the financial year and at the date of the approval of the financial statements.

Streamlined Energy and Carbon Reporting
The table below shows the company's total purchases of energy consumption during the year. The company has reported this energy consumption under Scope 2 per the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements. Note all energy purchases are electricity and are for the company own consumption.

Company took part in a GRESB (Global Real Estate Sustainability Benchmarks) asset level sustainability assessment in the year and plans to continue to do so in foreseeable future in order to manage its emissions.

	Total Purchases	Total Emissions
Summary of Scope 2 - indirect emissions for the current year	**kWh**	**tCO2e**
	2021	**2021**
Electricity purchases - imports to offshore wind farm	1,580,523	336
	2020	**2020**
Electricity purchases - imports to offshore wind farm	1,148,738	268

Note table above consumption is converted based on government recommend rates, due to the difficulty in splitting out electricity purchased from the UK national grid at source level.

Prior year table has been updated with the most up to date data to aid comparison.

	2021	**2020**
Intensity ratio (tCO2e / kW)	0.17%	0.14%

Table above shows the company's emission as a percentage of 50% of total installed capacity of 389MW.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and 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 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 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 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.

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.

Directors' confirmations

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.

Reappointment of auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board and signed on its behalf by:

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Philip Henry de Villiers
Director

Date: Sep 29, 2022

Independent auditors' report to the members of Orsted West of Duddon Sands (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Orsted West of Duddon Sands (UK) 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income and the 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 Strategic report and 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.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and directors' report for the 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 Strategic report and 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 regulation of the renewable energy industry in the UK including those associated with health and safety, 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 the 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 the posting of inappropriate journal entries and management bias in the assessment of accounting estimates. Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance around actual and potential litigation and claims or fraud and any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- testing a selection of journal entries identified as exhibiting fraudulent characteristics;
- evaluating the business rationale of significant transactions outside the normal course of business; and
- challenging assumptions and judgements made by management in their significant accounting estimates.

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.

Jonathan Matthews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2022

Orsted West of Duddon Sands (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Revenue	4	151,500,014	112,157,314
Cost of sales		(45,488,259)	(44,148,217)
Gross profit		106,011,755	68,009,097
Administrative expenses		(12,589,096)	(10,544,681)
Other operating income/(expenses)		359,316	(444,602)
Operating profit	5	93,781,975	57,019,814
Finance income	8	59,532	432,393
Finance costs	9	(3,785,936)	(4,845,981)
Net finance costs		(3,726,404)	(4,413,588)
Profit before tax		90,055,571	52,606,226
Income tax charge	10	(25,758,831)	(10,114,226)
Profit for the financial year		64,296,740	42,492,000
Total comprehensive income for the year		64,296,740	42,492,000

The above results were derived from continuing operations.

There were no other comprehensive income or expenses (2020: £-) during the year.

Orsted West of Duddon Sands (UK) Limited

(Registration number: 06494525)
Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
Assets			
Non-current assets			
Property, plant and equipment	11	385,318,633	414,064,469
Investments	12	3	3
		385,318,636	414,064,472
Current assets			
Trade and other receivables	13	142,985,367	112,214,855
Cash and cash equivalents	14	2,291,022	2,944,567
		145,276,389	115,159,422
Total assets		530,595,025	529,223,894
Equity and liabilities			
Equity			
Share capital	15	(1)	(1)
Other reserves		(7,670,000)	(7,670,000)
Retained earnings		(210,165,386)	(214,319,646)
		(217,835,387)	(221,989,647)
Non-current liabilities			
Long term lease liabilities	17	(7,160,698)	(7,664,584)
Loans and borrowings	18	(200,000,000)	(220,000,000)
Provisions	19	(30,438,757)	(28,999,210)
Deferred tax liabilities	10	(38,926,770)	(25,769,790)
		(276,526,225)	(282,433,584)
Current liabilities			
Current portion of long term lease liabilities	17	(792,261)	(792,261)
Trade and other payables	20	(14,489,467)	(13,008,904)
Income tax liability		(20,951,685)	(10,999,498)
		(36,233,413)	(24,800,663)
Total liabilities		(312,759,638)	(307,234,247)
Total equity and liabilities		(530,595,025)	(529,223,894)

The financial statements on pages 13 to 43 were approved by the Board and signed on its behalf by:

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Philip Henry de Villiers
Director

Date: Sep 29, 2022

Orsted West of Duddon Sands (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2021	1	7,670,000	214,319,646	221,989,647
Profit for the financial year	-	-	64,296,740	64,296,740
Total comprehensive income for the year	-	-	64,296,740	64,296,740
Dividends	-	-	(68,451,000)	(68,451,000)
At 31 December 2021	1	7,670,000	210,165,386	217,835,387

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2020	1	7,670,000	277,983,646	285,653,647
Profit for the financial year	-	-	42,492,000	42,492,000
Total comprehensive income for the year	-	-	42,492,000	42,492,000
Dividends	-	-	(106,156,000)	(106,156,000)
At 31 December 2020	1	7,670,000	214,319,646	221,989,647

1 General information

The company is a private company limited by shares, incorporated and domiciled in England and Wales.

The address of its registered office is:
5 Howick Place
London
England
SW1P 1WG
United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
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.

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") in conformity with the requirements of the Companies Act 2006 and under historical cost accounting rules.

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 and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The company's financial statements are presented in pound sterling, which is both the functional and presentation currency.

The company is a subsidiary of Orsted Power (UK) Limited and it is included in the consolidated financial statements of Orsted A/S, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006. For information on parent company, please refer to note 24 "Parent and ultimate parent undertaking". For information on subsidiary, please refer to Note 12 "Investments". For information on accounting policy for investments, please refer to note 2 "Accounting policies".

Going concern
The financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management has considered all available information about the future, which is at least 12 months from the date of approval of the financial statements.

2 Accounting policies (continued)

Summary of disclosure exemptions

In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- 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).
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):

  - paragraph 79(a)(iv) of IAS 1
  (reconciliation of number of shares at the beginning and end of the period)

  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'
  (reconciliations between the carrying amount at the beginning and end of the period)

  - paragraph 118(e) of IAS 38, 'Intangible assets'
  (reconciliations between the carrying amount at the beginning and end of the period)

- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):

  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information);
  - 134-136 (capital management disclosures)

- IAS 7 - 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more wholly owned members of a group).

2 Accounting policies (continued)

New standards, interpretations and amendments effective
The management regularly assess the impact of new and amended IFRS standards and interpretations. New and amended IFRS standards and interpretations are implemented from their mandatory effective dates at the latest.

Effective from 1 January 2021 , we have implemented the following new or amended standards (IAS and IFRS) and interpretations:

- 'Leases' - Covid-19 related rent concessions - amendments to IFRS 16;
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16;

The adoption of the new and amended standards have not had a material impact on the entity in the current and prior reporting periods and are not expected to have a material impact in future reporting periods.

The company has transitioned from LIBOR to SONIA on 1 October 2021. When transitioning to SONIA, a credit spread adjustment (CSA) has been added to cater for the difference between SONIA and LIBOR. As a result, the transition to SONIA had not have a material impact on the financial statements in the current reporting period and is not expected to have a material impact in future reporting periods.

Joint operations
Shares in joint operations are recognised in the balance sheet through recognition of the Company's own assets, liabilities, income, and expenses. The proportionate share of realised and unrealised gains and losses arising from intra-group transactions between the Company and the joint operation is eliminated.

Revenue recognition

Recognition

The company earns revenue from the sale of electricity. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Performance obligations

The main performance obligations to customers consist of supply of electricity to the power offtaker through the OFTO (OffshoreTransmission Owners) asset and national grid asset network. Due to the nature of power supply the business judgements made in evaluating when control has passed are limited.

Sale of electricity is based on produced megawatt (MW), which is recognised at the production date. These are invoiced on a monthly basis and payment terms are no later than 10 business days after the issue date of the invoice. No warranties are offered on sale of these MW.

2 Accounting policies (continued)

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the sale of products:

Transaction price

The transaction price of electricity tariffs is determined by the rate specified in the contract for electricity at production date. The transaction price for green certificates is recognised at guaranteed minimum price at production date.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, contract assets are recognised. Contract assets are included in the statement of financial position and represent the right to consideration for products delivered.

Contract receivables (loans and advances) are recognised in the statement of financial position when the company's right to consideration becomes unconditional. Offtaker (customer) of power takes all of the power produced by the company on a monthly basis and pays a tariff for power received.

Contract assets & receivables (loans and advances) are classified as current or non-current based on the company's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

2 Accounting policies (continued)

Impairment of contract related balances

At each reporting date, the company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Government grants

Government grants comprise grants under the Renewable Obligation Certificate (ROC) scheme. Government grants are recognised when there is reasonable assurance that the grants will be received. As grants for power generation are intended as a compensation for the price of power, we systematically recognise the grants under revenue in step with the power generation and thus the related revenue. The ROCs are recognised as inventory before being sold to the customer.

Finance income and costs

Finance income comprise interest income which is recognised on the basis of the effective interest method.
Finance costs comprise interest expenses which is recognised on the basis of the effective interest method.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

2 Accounting policies (continued)

Tax

Tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts and the tax base of assets and liabilities.

Deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability respectively. Deferred tax assets are recognised at the value at which they are expected to be utilised either by elimination against tax on future earnings or by offsetting against deferred tax liabilities.

Deferred tax is measured in accordance with the tax rules and tax rates that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit/(loss) for the year.

Deferred tax is only recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised.

Income tax asset/(liability) includes receivables/(payables) from group companies where group relief/consortium relief has been applied.

Property, plant and equipment

Property, plant and equipment is included on the balance sheet at historical cost, less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition. Capitalisation begins when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the asset for use are complete.

Right of use asset is recognised in the balance sheet at the commencement date of the lease contract at cost less accumulated depreciation and impairment.

Depreciation

Depreciation commences at the point of commercial deployment. In the case of property, plant and equipment, cost is, as a rule, depreciated on a straight-line basis over the estimated future useful lives, which are:

Asset class	Depreciation method and rate
Wind farm	Straight line method over 20 years
Decommissioning asset	Straight line method over 20 years
Right of use asset	Straight line method over 16 years

2 Accounting policies (continued)

Investments
Investments are stated at historical cost less provision for any diminution in value.

Investments are reviewed for impairment 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 non-financial assets are reviewed for possible reversal at each reporting date.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment 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 non-financial assets are reviewed for possible reversal at each reporting date.

Production assets are tested for impairment if there is any indication of impairment. For production assets with a limited lifetime as wind turbines, cash flows are calculated based on forecasts for the entire lifetime of the asset. The determination of the recoverable amount for production assets is based on a number of assumptions. Such assumptions include future market conditions, market prices, electricity, weighted average cost of capital (WACC) and exchange rates.

Trade receivables
Trade receivables are amounts due from customers for electricity sales. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Receivables/(Payables) group undertakings relating to cash pooling
The company is a participant in the group cash pooling arrangement of which Orsted A/S is pool master and legal bank account holder. The company has its own sub-accounts from which all transactions are executed. Balances held by the company under this revised arrangement are available for withdrawal/repaid on demand and are disclosed within amounts owed by/to group undertakings, representing amounts owed by/to the parent cash pool holder, Orsted A/S.

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise company bank account facilities. In the statement of financial position, bank overdrafts are shown under current liabilities section.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

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

Interim dividends are recognised when paid.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

On recognition of lease obligations in the balance sheet at 1 January 2021, the company has applied incremental borrowing rates in the determination of the present value of the lease obligations. At 31 December 2021, the present value of our lease obligations was determined at an interest rate of 3.41%.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g. commissions) and an estimate of restoration, removal and dismantling costs.

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance costs in the statement of comprehensive income, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in Impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g. reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

2 Accounting policies (continued)

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the statement of comprehensive income.

Borrowings

Borrowings are held solely for the purpose of collection of principle and interest.

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the statement of comprehensive income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

General

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the company has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Decommissioning provision

Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning and restoration as expected at the balance sheet date. An associated decommissioning asset for the value of the provision is recognised in property, plant and equipment and depreciated together with the associated asset. The decommissioning asset is amortised on a straight-line basis over the useful economic life of the associated asset. The increase in time of the present value of the provision is recognised in profit/(loss) for the year as finance costs.

2 Accounting policies (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial assets and liabilities

Financial instruments are used for various purposes. The purpose determines the category, and whether the value adjustment of the instrument should be recognised in the profit/(loss) for the year or as part of the hedging reserve in equity.

Financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the 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 statement of comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of comprehensive income are expensed in profit or loss.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of loans.

Impairment

The company has three types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets; and
- debt investments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 Accounting policies (continued)

Trade receivables and contract assets

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rate is based on an assessment of the historical rates for default. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt investments

We keep our receivables until maturity, and they are therefore measured at amortised cost. All of the entity's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. These instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost include loans to related parties and other receivables.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Debt investments and other receivables are written off where there is no reasonable expectation of recovery. The write-down is calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable using the effective interest rate. Impairment losses on debt investments and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

2 Accounting policies (continued)

Financial liabilities

The company classifies its financial liabilities in the following categories:

- financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), and
- other financial liabilities at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities at amortised cost include trade and other payables, loans and borrowings including bank overdrafts.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of long-term loans. Short term interest bearing borrowings that carry interest at floating rates are not amortised at the effective interest rate as their carrying value approximates their fair value on initial recognition.

After initial recognition, long term interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Provisions

Estimates of decommissioning obligations are based on management's expectations concerning timing and scope, future cost level, and adopted laws and regulations on decommissioning. The timing of decommissioning obligations depends on the useful lives of the assets. In determining the discounting of decommissioning obligations at 31 December 2021, a discount rate of 3.5% is applied (2020: 3.5%). The applied discount rate of 3.5% is expected to be applied over a prolonged period. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on the historical interest rate level. The extent to which decommissioning and restoration will be required is estimated based on current legislation and standards in this area. Expectations concerning the future cost level are based on variables such as expectations concerning the general price trend, demand conditions and the development in existing technologies.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful lives of production assets

The end of life of the wind farm is a key judgement and input into the calculations for leases, depreciation, and decommissioning. It is also a key judgement in our impairment assessments for property, plant and equipment and investments in subsidiaries. Changes to the end of life could materially impact these calculations and assessments. The current expectation is that the wind farm will operate until 2034 at which point it will be decommissioned. This aligns to the remaining expected operating life of the wind turbines.

4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £	2020 £
Sale of electricity	72,493,405	27,258,781
Government grants	77,928,042	84,107,436
OFTO revenue	951,284	675,426
Other revenue	127,283	115,671
	151,500,014	112,157,314

The total revenue of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

The company has a power purchase agreement with its fellow group company and it sells all its power generation and associated benefits under this agreement.

Government grants relate to income resulting from Renewable Obligation Certificates (ROCs).

OFTO revenue relates to OFTO Operation and Maintenance (O&M) services.

Timing of revenue recognition from customers:

	2021 £	2020 £
Over time	151,500,014	112,157,314
	151,500,014	112,157,314

The timing of transfer of goods or services to customers is categorised as follows:

- 'Over time' mainly comprises long-term contracts with customers to deliver electricity power and OFTO O&M services.

5 Operating profit

Operating profit is stated after charging:

	2021 £	2020 £
Depreciation expense	30,139,996	30,053,271

6 Staff costs

There were no (2020: nil) employees during the year. The directors received no (2020: £-) emoluments during the year, in respect of their qualifying services to the company.

The directors appointed by Orsted group were remunerated by other companies within the Orsted group for their services to the group as a whole. It is not possible to allocate their remuneration between their services as directors of different group companies.

7 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	16,000	13,500

There has been no non-audit remuneration in the current year and prior year.

8 Finance income

	2021 £	2020 £
Interest income on bank deposits	2,470	28,406
Interest on loans to group undertakings	50,002	286,257
Foreign exchange gains	7,060	117,730
	59,532	432,393

9 Finance costs

	2021 £	2020 £
Interest on bank overdrafts and borrowings	304	16,619
Interest on loans from group undertakings	2,464,599	3,520,679
Unwinding of discount on decommissioning provision	1,032,661	982,413
Foreign exchange losses	-	67,458
Interest expense on leases	288,372	258,812
	3,785,936	4,845,981

10 Income tax charge

Tax charged/(credited) in the statement of comprehensive income:

	2021 £	2020 £
Current taxation		
UK corporation tax	15,295,924	6,946,844
UK corporation tax adjustment to prior years	(2,694,073)	(2,513,659)
Total current taxation	12,601,851	4,433,185
Deferred taxation		
Arising from origination and reversal of temporary differences	2,743,624	3,317,659
Arising from changes in tax rates and laws	10,001,896	2,363,382
Adjustments in respect of prior years	411,460	-
Total deferred taxation	13,156,980	5,681,041
Tax charge in the statement of comprehensive income	25,758,831	10,114,226

10 Income tax charge (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	90,055,571	52,606,226
Corporation tax at standard rate	17,110,558	9,995,183
Expenses not deductible for tax purposes	270,520	269,320
Adjustments to tax charge in respect of prior years	(2,282,613)	(2,513,659)
Remeasurement of deferred tax - change in UK tax rate	10,660,366	2,363,382
Total tax charge	25,758,831	10,114,226

Factors that might affect future tax charges:

The main rate of UK corporation tax in the year was 19%. During the year, legislation was enacted to increase the corporation tax rate from 19% to 25% on 1 April 2023. Deferred tax balances expected to unwind after this date have been recognised at 25%.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2021 £	Recognised in income £	At 31 December 2021 £
Accelerated tax depreciation	(28,417,813)	(14,531,743)	(42,949,556)
Provisions	2,648,023	1,374,763	4,022,786
Net tax liabilities	(25,769,790)	(13,156,980)	(38,926,770)

Deferred tax movement during the prior year:

	At 1 January 2020 £	Recognised in income £	At 31 December 2020 £
Accelerated tax depreciation	(22,090,744)	(6,327,069)	(28,417,813)
Provisions	2,001,995	646,028	2,648,023
Net tax liabilities	(20,088,749)	(5,681,041)	(25,769,790)

10 Income tax charge (continued)

	31 December 2021 £	31 December 2020 £
The provision for deferred tax consists of the following :		
Deferred tax assets due within 12 months	43,546	1,374,763
Deferred tax liabilities due within 12 months	-	-
Carrying amount at end of year	43,546	1,374,763
Deferred tax assets due in more than 12 months	3,979,240	1,273,260
Deferred tax liabilities due in more than 12 months	(42,949,556)	(28,417,813)
Carrying amount at end of year	(38,970,316)	(27,144,553)
Total carrying amount at end of year	(38,926,770)	(25,769,790)

Deferred tax assets are supported by temporary differences from provisions, the reversal of existing temporary differences and future taxable profits against which tax losses carried forward can be utilised or the application of group relief/consortium relief.

11 Property, plant and equipment

	Right of use assets £	Decommissioning asset £	Wind farm £	Total £
Cost				
At 1 January 2020	10,769,189	22,458,349	576,299,747	609,527,285
Decrease in decommissioning estimate	-	(62,403)	-	(62,403)
Additions	-	-	8,536,485	8,536,485
Other	(1,354,057)	-	-	(1,354,057)
At 31 December 2020	9,415,132	22,395,946	584,836,232	616,647,310
At 1 January 2021	9,415,132	22,395,946	584,836,232	616,647,310
Increase in decommissioning estimate	-	406,886	-	406,886
Additions	-	-	987,274	987,274
At 31 December 2021	9,415,132	22,802,832	585,823,506	618,041,470
Accumulated depreciation				
At 1 January 2020	702,338	6,155,580	165,671,651	172,529,569
Charge for the year	680,262	1,178,110	28,349,439	30,207,811
Other	(154,539)	-	-	(154,539)
At 31 December 2020	1,228,061	7,333,690	194,021,090	202,582,841
At 1 January 2021	1,228,061	7,333,690	194,021,090	202,582,841
Charge for the year	614,030	1,176,528	28,349,438	30,139,996
At 31 December 2021	1,842,091	8,510,218	222,370,528	232,722,837
Carrying amount				
At 31 December 2021	7,573,041	14,292,614	363,452,978	385,318,633
At 31 December 2020	8,187,071	15,062,256	390,815,142	414,064,469

Right of use assets comprise seabed lease and land lease.

The depreciation charge for the year of £30,139,996 (2020: £30,207,811) and other £- (2020: £(154,539)) is included in cost of sales.

12 Investments

Subsidiary	**£**
Cost	
At 1 January 2020	3
At 31 December 2020	3
At 1 January 2021	3
At 31 December 2021	3
Carrying amount	
At 31 December 2021	3
At 31 December 2020	3

Details of the subsidiaries as at 31 December are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held in the form of ordinary shares 2021	2020
Morecambe Wind Limited	Production and transmission of electricity	5 Howick Place London England SW1P 1WG United Kingdom	50%	50%

Investments comprise ordinary equity shares in the associated companies, neither of which are publicly traded.

The directors believe the carrying value of the investment is supported by the underlying net assets.

13 Trade and other receivables

	31 December 2021 £	31 December 2020 £
Trade receivables	1,388,239	2,211,620
Receivables from related parties	138,664,788	102,755,707
Prepayments	2,143,203	2,222,647
Other receivables	789,137	5,024,881
	142,985,367	112,214,855

Receivables from related parties (except group cash pooling arrangement which has an interest rate of SONIA O/N plus 0.05% as at 31 December 2021) are unsecured, interest free and have repayment dates.

14 Cash and cash equivalents

	31 December 2021 £	31 December 2020 £
Cash at bank	2,291,022	2,944,567

15 Share capital

Allotted, called up and fully paid shares

	31 December 2021 No.	£	31 December 2020 No.	£
Ordinary share capital of £1 each	1	1	1	1

The ordinary share has attached to it full voting, dividend and capital distribution (including on winding-up) rights. It does not confer any rights of redemption.

16 Dividends

	31 December 2021 £	31 December 2020 £
Interim dividend of £68,451,000 (2020: £106,156,000) per ordinary share	68,451,000	106,156,000

17 Leases

Lease liabilities

	31 December 2021 £	31 December 2020 £
Current portion of long term lease liabilities	792,261	792,261
Long term lease liabilities	7,160,698	7,664,584

Seabed leases include variable lease payments which depend on the number of megawatt hours generated. However, we have typically agreed on minimum lease payments for the seabeds and these minimum payments are included in the lease liabilities.

The terms of the seabed lease allow it to continue for 50 years from inception with a break clause which can be actioned before the lease expires. This break clause requires a notice period of not less than 3 years and not more than 5 years before expiration of the lease. A lease period aligned to the life of the wind farm is used. See Note 3 for further details.

The terms of the land lease allow it to continue for 50 years from inception with a break clause which can be actioned before the lease expires. This break clause requires a notice period of not less than 12 months before termination of the lease. A lease period aligned to the life of the wind farm is used. See Note 3 for further details.

Right of use assets

	Land lease £	Seabed lease £	Right of use assets £
Carrying amount at 1 January 2021	366,961	7,820,110	8,187,071
Depreciation	(27,522)	(586,508)	(614,030)
Carrying amount at 31 December 2021	339,439	7,233,602	7,573,041

17 Leases (continued)

	Land lease	Seabed lease	Right of use assets
	£	£	£
Carrying amount at 1 January 2020	451,217	9,615,634	10,066,851
Change in estimate cost	(60,692)	(1,293,365)	(1,354,057)
Depreciation	(30,491)	(649,771)	(680,262)
Change in estimate depreciation	6,927	147,612	154,539
Carrying amount at 31 December 2020	366,961	7,820,110	8,187,071

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2021	31 December 2020
	£	£
Less than one year	792,261	792,261
In one to five years	3,169,045	3,169,045
In over five years	5,941,960	6,734,221
Total lease liabilities (undiscounted)	9,903,266	10,695,527

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	2021	2020
Payment	£	£
Lease payments	1,293,478	1,251,802

Finance charge on leases going through the statement of comprehensive income is disclosed in note 9 'Finance costs'.

Depreciation charge on right of use assets is disclosed in note 11 'Property, plant and equipment'.

Variable amount of the lease payments exceeding the minimum lease payments amounts to £501,217 (2020: £459,540).

18 Loans and borrowings

	31 December 2021 £	31 December 2020 £
Non-current loans and borrowings		
Loans from group undertakings	200,000,000	220,000,000

Included in loans from group undertakings is an unsecured loan of £200,000,000 (2020: £220,000,000) which carries interest at SONIA O/N plus 1.1% (2020: LIBOR plus 1.00% + "LIBOR Floor", which is LIBOR capped at 0.00%). £20,000,000 was repaid during the period. This loan is wholly repayable on 10 January 2025.

19 Provisions

	Decommissioning £	Total £
At 1 January 2021	28,999,210	28,999,210
Change in estimate	406,886	406,886
Charged to the statement of comprehensive income	1,032,661	1,032,661
At 31 December 2021	30,438,757	30,438,757

	Decommissioning £	Total £
At 1 January 2020	28,079,200	28,079,200
Change in estimate	(62,403)	(62,403)
Charged to the statement of comprehensive income	982,413	982,413
At 31 December 2020	28,999,210	28,999,210

The Decommissioning provision has been made under IAS 37 for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 3.50% (2020 : 3.50%). Included within fixed assets is an amount of £14,292,614 (2020: £15,062,256) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2021 and future years. The decommissioning asset is being depreciated over 20 years being the expected life of the wind farm using straight line method.

20 Trade and other payables

	31 December 2021 £	31 December 2020 £
Trade payables	1,023	74,997
Amounts due to related parties	13,572,453	11,463,951
Social security and other taxes	-	581
Other creditors	915,991	1,469,375
	14,489,467	13,008,904

Amounts due to related parties are unsecured, interest free and are usually settled within 30 days of recognition.

21 Non-adjusting events after the financial year

The aggregate amount of the loan repaid after the reporting date but not recognised as liability at 31 December 2021 is £20,000,000.

22 Related party transactions

	Morecambe Wind Limited 2021 £
Transactions	
Power sales and rendering of services	1,181,774
Purchase and receipt of services	15,357,324
Finance income	2,344
Finance costs	102
Balance outstanding at balance sheet date	
Trade and other receivables	5,712,426
Trade and other payables	5,069,920

22 Related party transactions (continued)

	Morecambe Wind Limited 2020 £
Transactions	
Power sales and rendering of services	1,577,595
Purchase and receipt of services	14,105,771
Finance income	10,813
Finance costs	105
Balance outstanding at balance sheet date	
Trade and other receivables	4,244,141
Trade and other payables	3,246,097

23 Related undertaking

The company's related undertakings as at 31 December 2021 and 31 December 2020 are as follows:

Name	Place of incorporation	Place of operation	Nature of business	Type of holding	Ownership interest held by the Company
Morecambe Wind Limited	5 Howick Place London England SW1P 1WG United Kingdom	England & Wales	Transmission of electricity	Direct	50%

24 Parent and ultimate parent undertaking

The immediate parent of the company is Orsted Power (UK) Limited, incorporated in England, which owns 100% of the ordinary share capital.

The ultimate parent company is Orsted A/S, incorporated in Denmark. The Danish State currently holds 50.1% (2020: 50.1%) of the share capital of Orsted A/S and therefore the company considers the Danish Ministry of Finance the ultimate controlling party.

The smallest and largest group in which the results of the company are consolidated are those headed by Orsted A/S.

The consolidated financial statements of this company are available to the public from:
Orsted A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia
Denmark