Registered number: 03494498

PEN Y CYMOEDD WIND FARM LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

PEN Y CYMOEDD WIND FARM LIMITED

COMPANY INFORMATION

Directors	Alper Elmas Jaap Kleerebezem (appointed 8 March 2022) Jonathan David Chin O'Sullivan (resigned 3 September 2021)
Company secretary	Jonas Van Mansfeld
Registered number	03494498
Registered office	5th Floor 70 St Mary Axe London United Kingdom EC3A 8BE
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Bankers	Nordea Bank Finland plc 8th Floor City Place House 55 Basinghall Street London EC2V 5NB

PEN Y CYMOEDD WIND FARM LIMITED

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PEN Y CYMOEDD WIND FARM LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

This report provides an overview of the current year performance, position and main issues that have been considered by the directors.

Principal activities

The Company's principal activity is the operation of an onshore wind farm in South Wales, United Kingdom. The Company is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom. During the year, the Company's immediate parent undertaking was Vattenfall Wind Power Ltd and the ultimate parent undertaking of the Company is Vattenfall AB, the Swedish based international utility company.

Business review

During the year the Company operated an onshore wind farm at the Pen Y Cymoedd farm in South Wales within the United Kingdom. The wind farm has been fully operational throughout the year ended 31 December 2021 and generated turnover of £95,009,631 with net profits of £27,240,766 (2020: £55,306,133 and losses of £268,883 respectively). The increase in turnover is mainly due to an increase in energy prices of 227% in 2021, which has been partially offset by a decrease of production electricity by 18% and a decrease of renewables energy certificates (ROCs) transferred by 18%. Although the directors are aware of the current high prices, which could lead to an increase in income levels in the future, stability of profits is hard to anticipate on the back of also evolving cost levels due to inflation and other variables, such as tax regulations.

Key performance indicators ("KPIs")

The principal KPI for the Company is turnover comprising turbine availability, wind resource and electricity price. Availability during the year has been higher at 99% (2020: 97%) with a volume of 574,443MWh (2020: 704,501MWh). Electricity prices have been higher during the year, averaging £111/MWh (2020: £34/MWh).

Statement of how the directors have complied with their duty to have regard to the matters in Section 172(1) Companies Act 2006 'Duty to promote the success of the Company'

The directors of the Company comply with their duties under Section 172(1) Companies Act 2006 by overseeing the operations of the Company and how the Company's actions affect stakeholders.

The directors of the Company are promoting the success of the Company through a mechanism of structured board meetings to discuss performance of the Company, its service providers and the market situation. Decisions are made in line with the Company's purpose, documented in its articles of association, using sustainability, value creation and continuity as main drivers.

Vattenfall's vision is to be fossil-fuel free within a generation. The Group's strategy is underpinned by five pillars: connecting and optimising the energy system; securing a fossil-free energy supply; driving decarbonisation with our customers and partners; delivering high performance; and empowering our people.

Vattenfall's wind business model and strategy is designed to deliver long-term benefit to the Group through delivery of renewable electricity. The Company's directors are continually evaluating the Company's performance to ensure they deliver value to the shareholders and meet the Group's technical and economic standards.

In acting to empower the work force, Vattenfall Wind Power Ltd, who employ the workforce that contract employees to the Company, operates a "Diversity and Inclusion" programme and has achieved a Gold Award under the C2E accreditation programme. The Company have also signed up to the Armed Forces Covenant. The directors are committed to ensuring the health, safety and wellbeing of employees, ensuring regular staff engagement through team and individual meetings and all-hands briefings. Support is also provided by access to a whistleblower hotline.

PEN Y CYMOEDD WIND FARM LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

All revenue is generated from the sale of electricity to another member of the Vattenfall Group, Vattenfall Energy Trading GmbH. The Company maintains strong relationships with suppliers and high quality maintenance providers.

The Company's strategy is for excess cash to be distributed as dividends whenever possible. Before dividend distributions are made or proposed, the board reviews management accounts and cash flow projections to consider the effect the distribution would have on the financial position of the Company, including its ability to meet liabilities as they fall due.

Operations are managed by the Group and therefore follow the Group's processes.

The board has monthly meetings scheduled which contain both a health and safety update, a business update from the operations representatives and approval of any dividend payments. On an annual basis the business plan, KPIs and budgets are considered and approved.

Principal risks and uncertainties

The principal risks and uncertainties facing the business are:

- Average wind speeds falling significantly below expectations, having a negative impact on revenues and cash flows; and
- A fall in electricity prices due to market changes.

The availability and wind speed risk is managed by monitoring the operational effectiveness of the wind farm, taking remedial action when required. Forecast electricity prices are monitored by the business.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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Alper Elmas
Director

Date: 6 October 2022

PEN Y CYMOEDD WIND FARM LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Directors' responsibilities statement

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.

Going concern

For the purposes of assessing whether 'going concern' is an appropriate basis for preparing the financial statements, the directors have reviewed projections for the period to 31 December 2023 using assumptions which the directors consider to be appropriate to the current financial position of the Company with regards to revenue, cost of sales, borrowing and debt repayment plans.

Given the Company is in a net current liabilities position and the Company's cash is subject to a Vattenfall AB group cash pooling arrangement, it relies on the support provided from its ultimate parent company, Vattenfall AB.

Based on these scenarios, the written confirmation obtained from Vattenfall AB and the resources available to the Company, the directors believe the Company has sufficient liquidity to manage through a range of different scenarios until at least 31 December 2023. Given the Group's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £27,240,766 (2020 - loss £268,883).

Dividend paid in the year is £nil (2020: £nil).

PEN Y CYMOEDD WIND FARM LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Directors

The directors who served during the year were:

Alper Elmas
Jonathan David Chin O'Sullivan (resigned 3 September 2021)

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk, price risk and cash flow risk. Due to the nature of the Company's business, the assets and liabilities contained within the Company's Balance Sheet, the funding of the Company and the counterparties of balances owed largely being other Vattenfall group companies, the only financial risk the directors consider relevant to the Company is price risk. The Company's activities expose it to price risk arising from the sale of electricity and Renewable Obligation Certificates (ROCs) for which the price varies based on market factors. The Directors monitor the effects of changes to electricity and ROC prices and consider that the risk is appropriately managed by the Company.

Future developments

Based on current energy price levels that continue to increase in the final quarter of 2021, there is a likelihood of stable or increased results in 2022. However, costs will also likely increase on the back of inflation and other variables, such as regulatory changes. The Company is continuously reviewing its business to stay responsive to the energy market.

Management has sourced its operation & maintenance with a service provider which allows for cost management and stability of cash flow. It is our policy to refrain from making any specific statements about expected future results. However, on the basis of risk analysis and adequate operational processes, we have faith that we will be able to tackle the challenges ahead and to stay on top of our operations.

Qualifying third party indemnity provisions

Certain directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of approval of this report.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company's greenhouse gas emissions and energy consumptions are as follows:

	2021	2020
Emissions generated through use of purchased electricity (in tonnes of CO_2 equivalent)	29	24
Emissions generated through business travel (in tonnes of CO_2 equivalent)	42	20

Gross emissions total 71 (2020: 44), measured in tonnes of CO_2 equivalent.

Energy consumed from activities involving the combustion of gas, or the consumption of fuel for the purposes of transport, and the annual quantity of energy consumed resulting from the purchase of electricity, including for the purposes of transport, is 253 MWh (2020: 175 MWh).

The Company's annual emissions in relation to square footage, based on total site area, is 92 kgCO2e/sqft (2020: 56 $kgCO_2e/sqft$) (kilograms of CO_2 equivalent per square foot).

All emissions produced and energy consumed was within the United Kingdom.

Methodology used in the calculation of disclosures

In the calculation of disclosures for the Company's statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) we have applied the methodology as specified in the government's guidelines "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting" used in conjunction with the government's greenhouse gas reporting conversion factors.

Energy efficiency actions

We are committed to responsible energy management and will practise energy efficiency throughout our organisation, wherever it's cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

We have implemented the policies below for the purpose of increasing the businesses energy efficiency in the relevant financial year.

- We have moved to remote home/hybrid working due to Covid. This practice will continue to be reviewed and assessed.
- We have implemented and encouraged the use of video conferencing.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

PEN Y CYMOEDD WIND FARM LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Post Balance Sheet events

Under the current circumstances, where markets are disturbed by unrest in eastern Europe, resulting in gas supply uncertainty, the Company benefits from higher prices. In times of uncertainty conscious steer is given by the management to maintain sufficient funds to operate the Company. At present, the directors believe that the Company is well placed to continue without significant adverse operational or financial impact.

Across the world, multiple jurisdictions have imposed economic sanctions on Russia, Belarus and some individuals and entities deemed to be closely linked to government officials in both countries. In addition to this, companies trading with, or associated with, Russia and Belarus have engaged in boycotts and trade embargoes. The directors have considered the possible effects these could have on the Company and have determined that there is no impact to the Company.

There were no significant events after 31 December 2021 that required adjustment to or disclosure in the financial statements, other than the effects of the scrapping of the proposed change to the UK corporation tax rate from 19% to 25%, as disclosed in Note 10.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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Alper Elmas
Director

Date: 6 October 2022

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Independent auditors' report to the members of Pen Y Cymoedd Wind Farm Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pen Y Cymoedd Wind Farm 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 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 Directors' responsibilities statement, 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 regulatory framework for the electricity market in the UK as set out by the Office of Gas and Electricity Markets (OFGEM), 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 and UK tax legislation. 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 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;
- enquiry of management, those charged with governance and those responsible for legal and compliance matters, including the company's in-house legal function, to identify actual and potential litigation and claims and any known or suspected instances of non-compliance with laws and regulations and fraud;
- enquiry of staff in the company's tax function to identify any instances of non-compliance with laws and regulations;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and testing accounting estimates to address the risk of management bias.

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.

Kevin McGhee

Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 October 2022

PEN Y CYMOEDD WIND FARM LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	**95,009,631**	55,306,133
Cost of sales		**(43,569,191)**	(41,834,402)
Gross profit		**51,440,440**	13,471,731
Administrative expenses		**(83,220)**	(22,220)
Operating profit	5	**51,357,220**	13,449,511
Interest receivable and similar income	8	**4,085**	-
Interest payable and similar expenses	9	**(9,052,061)**	(10,001,060)
Profit before tax		**42,309,244**	3,448,451
Tax on profit	10	**(15,068,478)**	(3,717,334)
Profit/(Loss) for the financial year		**27,240,766**	(268,883)
Total comprehensive income/(expense) for the year		**27,240,766**	(268,883)

The notes on pages 14 to 31 form part of these financial statements.

PEN Y CYMOEDD WIND FARM LIMITED
REGISTERED NUMBER:03494498

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £		2020 £
Fixed assets					
Tangible assets	11		**357,992,861**		385,161,964
Current assets					
Debtors: amounts falling due within one year	12	**43,769,656**		21,498,836	
Cash and cash equivalents	13	**9,430,619**		9,060,671	
		53,200,275		30,559,507	
Creditors: amounts falling due within one year	14	**(143,765,050)**		(180,657,561)	
Net current liabilities			**(90,564,775)**		(150,098,054)
Total assets less current liabilities			**267,428,086**		235,063,910
Creditors: amounts falling due after more than one year	15		**(84,901,078)**		(86,826,883)
			182,527,008		148,237,027
Provisions for liabilities					
Deferred taxation	17	**(28,114,238)**		(20,231,877)	
Other provisions	18	**(11,185,964)**		(12,019,110)	
			(39,300,202)		(32,250,987)
Net assets			**143,226,806**		115,986,040
Capital and reserves					
Called up share capital	19		**107,127,709**		107,127,709
Retained earnings			**36,099,097**		8,858,331
Total equity			**143,226,806**		115,986,040

The financial statements on pages 11 to 31 were approved by the board of directors on 06 October 2022 and signed on its behalf by:

DocuSigned by:

Alper Elmas
Director

Date: 6 October 2022

The notes on pages 14 to 31 form part of these financial statements.

PEN Y CYMOEDD WIND FARM LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2020	107,127,709	9,127,214	116,254,923
Comprehensive expense for the year			
Expense for the financial year	-	(268,883)	(268,883)
Total comprehensive expense for the year	-	(268,883)	(268,883)
At 31 December 2020 and 1 January 2021	107,127,709	8,858,331	115,986,040
Comprehensive income for the year			
Profit for the financial year	-	27,240,766	27,240,766
Total comprehensive income for the year	-	27,240,766	27,240,766
At 31 December 2021	107,127,709	36,099,097	143,226,806

The notes on pages 14 to 31 form part of these financial statements.

PEN Y CYMOEDD WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Authorisation of financial statements

The financial statements of Pen Y Cymoedd Wind Farm Limited (the "Company") for the year ended 31 December 2021 were approved by the board and authorised for issue on 06 October 2022 and the Balance Sheet was signed on the board's behalf by Alper Elmas. Pen Y Cymoedd Wind Farm Limited is incorporated and domiciled in England and Wales, United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

PEN Y CYMOEDD WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- 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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Equivalent disclosures are included in the consolidated financial statements of Vattenfall AB for the year ended 31 December 2021 and these financial statements may be obtained from the Vattenfall website, http://corporate.vattenfall.com.

2. Accounting policies (continued)

2.3 Change in accounting policy and disclosures

Unless otherwise stated, the accounting policies and method of computation adopted in the preparation of the financial statements are consistent with those of the previous year.

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2021 unless otherwise stated and the impact of adoption is described below. There are no other changes to IFRS effective in 2021 which could have a material impact on the Company.

Amendments to IFRS 9 Interest Rate Benchmark Reform

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

2.4 Going concern

For the purposes of assessing whether 'going concern' is an appropriate basis for preparing the financial statements, the directors have reviewed projections for the period to 31 December 2023 using assumptions which the directors consider to be appropriate to the current financial position of the Company with regards to revenue, cost of sales, borrowing and debt repayment plans.

Given the Company is in a net current liabilities position and the Company's cash is subject to a Vattenfall AB group cash pooling arrangement, it relies on the support provided from its ultimate parent company, Vattenfall AB.

Based on these scenarios, the written confirmation obtained from Vattenfall AB and the resources available to the Company, the directors believe the Company has sufficient liquidity to manage through a range of different scenarios until at least 31 December 2023. Given the Group's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

2.5 Development expenditure

Development expenditure is capitalised and held as assets under construction when the Company obtains planning consent and the project is expected to become technically and commercially viable such that the project is expected to generate sufficient net cash flow to allow recovery of such expenditure. Otherwise, development expenditure for new wind farm projects is expensed as incurred. On disposal of a project, previously capitalised development expenditure will be transferred to profit or loss in the same period in which a gain on sale is recognised.

2. Accounting policies (continued)

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Electricity revenue is recognised when the electricity is produced. This is usually billed two months after production and is recognised net of administrative fees charged to cover for imbalance of costs.

All revenue is generated from the sale of electricity to Vattenfall Energy Trading GmbH ("VET"). The Company sells electricity under the terms of the Service Level Agreement ("SLA") with VET. The SLA identifies two income streams:

Income from the sale of electricity

Income from the sale of electricity is recognised when the performance obligations under the SLA are met. This occurs when electricity is transferred to VET at an amount that reflects the consideration the Company expects to be entitled in exchange for the electricity. Under such arrangements income is recognised according to contractual prices per unit of output multiplied by the actual power output delivered to VET in the period, subject to an administrative fee. Income from the sale of electrical energy is recognised net of VAT and other sales taxes.

ROC (Renewable Obligation Certificate) entitlement and Buyout Fund

A Renewable Obligation Certificate ("ROC") is an environmental credit issued to accredited generators for eligible renewable electricity. One ROC is issued for each 1.11 megawatt hour of eligible renewable electricity generated. Income from the sale of ROCs is recognised once the performance obligation is satisfied at the point of sale of the associated electricity to VET at market price, subject to an administrative fee deduction.

In addition, the Company recognises income from the redistribution of the ROC Buyout Fund to eligible generators of renewable energy. The transaction price allocated is estimated on the basis of market data. Please refer to note 3 for further description of the ROCs revenue estimate. No accruals are made for late payment or mutualisation.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to VET and payment by VET exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. An accrued income balance is recognised when the performance obligations under the SLA are satisfied, yet before consideration is billed.

2. Accounting policies (continued)

2.7 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 represents 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 lease term.

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, including in-substance fixed payments and variable lease payments that depend on an index or a rate such as inflation, less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate, such as those based on MWh generated, 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 (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2. Accounting policies (continued)

2.8 Tangible assets

All tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Assets in the course of construction are capitalised as a separate component within tangible fixed assets. On completion, the cost of construction is transferred to the appropriate category. Assets under construction are not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Wind farm - tower, blades, foundations etc	- 20 years
Wind farm - gearboxes and generators	- 10 years
Plant & machinery	- 5 years
Wind farm decommissioning asset	- 20 years

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Company's cash is subject to a cash pooling arrangement administered by the ultimate parent company, Vattenfall AB.

2. Accounting policies (continued)

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as assets at amortised cost.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the counterparty, the ageing profile of receivables and historical experience. Trade receivables are reported net and such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Balance Sheet.

2.11 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2. Accounting policies (continued)

2.12 Interest expenses

Interest expenses are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.13 Decommissioning provision

The Company has provided for the present value of estimated decommissioning costs from the time that the Company has an obligation to dismantle and remove a facility and restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of tangible assets.

Each year the decommissioning provision is subject to an unwinding of the discounted value in order to bring the provision up to the latest present value. The charge is included within interest payable in the Statement of Comprehensive Income.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred balances are recognised in respect of all temporary differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

PEN Y CYMOEDD WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date as well as revenues and expenses reported during the year.

Management have not made any significant judgements in applying the Company's accounting policies within the financial statements for the current year.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the Balance Sheet date:

Decommissioning
Significant estimates and assumptions are made in determining this provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of decommissioning activities, inflation rates and changes in discount rates. Uncertainties in the estimates may result in future actual expenditure differing from the amounts currently accounted for. The provision at the Balance Sheet date represents management's best estimate of the present value of the future decommissioning costs required.

In estimating the decommissioning provision the Company applied an average inflation rate of 2.40% and estimates that an increase/decrease in the inflation rate of 5 basis points would lead to an increase in the decommissioning provision of £197,320 or a decrease in the decommissioning provision of £194,164. In addition, the Company applied a gross cost of £9,313,303 and estimates that a decrease/increase in the cost of 5 basis points would lead to an increase/decrease in the decommissioning provision of £559,298.

Renewable Obligation Certificate (ROC)
estimated the value of its entitlement to the ROC (Renewable Obligation Certificate) which includes the buy-out price and the recycle value element. In addition the Company may be eligible to receive mutualisation and late payment distributions however has applied the judgement that there is not enough certainty to recognise this variable revenue under IFRS 15 until the value is finalised.

In the Company's Balance Sheet, £2,780,582 (2020: £nil) of accrued income has been recognised in relation to unbilled ROC recycle amounts. In estimating the value of its entitlement, the Company estimates the amount of the recycle value of £8.5 per ROC (2020: £nil) by using an expert to determine a range of expected prices. If a recycle price of £9.5 per ROC was used this would lead to additional revenue of £327,139.

4. Turnover

An analysis of turnover by revenue stream is as follows:

	2021 £	2020 £
Income from sale of electricity	**64,450,673**	24,125,820
ROC (Renewable Obligation Certificate)	**30,558,958**	31,180,313
	95,009,631	55,306,133

All turnover arose within the United Kingdom.

PEN Y CYMOEDD WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £	2020 £
Depreciation of tangible assets	**27,363,055**	26,392,183
Variable lease payments	**767,587**	2,180,922

6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements. No other services are provided to the Company.

	2021 £	2020 £
Fees for audit services	**23,000**	20,805

7. Employees

Number of employees
The average monthly number of directors during the year was 2 (2020: 2). The Company has no employees. The Company's payroll costs are incurred by other entities within the Group.

Directors' remuneration
The directors of the Company are also employees and/or directors of the Company's shareholders and fellow subsidiaries. The directors' remuneration for the year, apportioned to the Company based on the estimated individual director representation for the Company, amounts to £24,223 (2020: £12,389). All of the remuneration was paid by another Vattenfall Group company.

8. Interest receivable and similar gains

	2021 £	2020 £
Foreign exchange gains	**4,085**	-

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9. Interest payable and similar expenses

	2021 £	2020 £
Interest payable to group undertakings	**6,094,502**	7,069,388
Interest on lease liabilities	**2,819,184**	2,865,373
Unwinding of discount on decommissioning provision	**138,375**	66,299
	9,052,061	10,001,060

10. Tax on profit

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	**7,186,117**	(1,547,440)
Adjustments in respect of previous periods	**-**	911,235
Total current tax	**7,186,117**	(636,205)
Deferred tax		
Origination and reversal of timing differences	**1,134,944**	2,485,430
Impact of change in tax laws and rates	**6,747,417**	1,868,047
Adjustments in respect of previous periods	**-**	62
Total deferred tax	**7,882,361**	4,353,539
Tax on profit	**15,068,478**	3,717,334

10. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit before tax	**42,309,244**	3,448,451
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**8,038,756**	655,206
Effects of:		
Expenses not deductible for tax purposes	**282,305**	282,784
Adjustments in respect of previous periods	**-**	911,298
Impact of change in tax laws rates	**6,747,417**	1,868,046
Total tax charge for the year	**15,068,478**	3,717,334

Factors that may affect future tax charges

An intention to increase the UK corporation tax rate to 25% on profits over £250,000 from 1 April 2023 was announced in the UK budget in March 2021. These changes were substantively enacted in May 2021. The closing net deferred tax liability has been calculated at the rate substantively enacted at the balance sheet date.

A subsequent mini budget was held in September 2022 as part of the UK Governments 2022 Growth Plans. It was announced that the planned increase in the main rate of corporation tax to 25% will no longer take place in April 2023 and that the rate will remain at 19%. The impact on the recognised deferred tax balance, should this be recognised at 19%, would be a decrease in the deferred tax liability of approximately £6,747,000.

PEN Y CYMOEDD WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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11. Tangible assets

	Right of use assets £	Wind farm £	Decommissioning asset £	Assets under construction £	Total £
Cost or valuation					
At 1 January 2021	95,087,826	375,213,883	11,175,459	-	481,477,168
Additions	-	-	-	126,706	126,706
Adjustment to right of use assets	1,038,768	-	-	-	1,038,768
Adjustment to decommissioning provision	-	-	(971,521)	-	(971,521)
At 31 December 2021	96,126,594	375,213,883	10,203,938	126,706	481,671,121
Accumulated depreciation					
At 1 January 2021	7,770,410	86,882,945	1,661,849	-	96,315,204
Depreciation expense	3,993,351	22,735,464	634,241	-	27,363,056
At 31 December 2021	11,763,761	109,618,409	2,296,090	-	123,678,260
Net book value					
At 31 December 2021	84,362,833	265,595,474	7,907,848	126,706	357,992,861
At 31 December 2020	87,317,416	288,330,938	9,513,610	-	385,161,964

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NOTES TO THE FINANCIAL STATEMENTS
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11. Tangible assets (continued)

The right of use assets relate to the lease of the land on which the wind farm operates.

12. Debtors: amounts falling due within one year

	2021 £	2020 £
Trade debtors	**48,949**	57,613
Amounts owed by group undertakings	**26,297,095**	7,749,194
Other debtors	**3,864,770**	3,452,827
Prepayments and accrued income	**13,558,842**	10,239,202
	43,769,656	21,498,836

The contract assets included within the Prepayments and accrued income balance above will be paid once volumes have been confirmed by the energy regulator and a bill has been raised.

13. Cash and cash equivalents

	2021 £	2020 £
Cash and cash equivalents	**9,430,619**	9,060,671

The Company's cash is subject to a cash pooling arrangement administered by the ultimate parent company, Vattenfall AB.

14. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	**666,329**	68,202
Amounts owed to group undertakings	**137,670,681**	175,264,028
Corporation tax	**387,200**	-
Lease liabilities	**2,959,226**	2,861,995
Accruals and deferred income	**2,081,614**	2,463,336
	143,765,050	180,657,561

Amounts owed to group undertakings are repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS
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15. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Lease liabilities	**84,901,078**	86,826,883

16. Lease liabilities

Company as a lessee

The Company has a lease for the land on which the wind farm operates. The lease is reflected on the Balance Sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its tangible assets.

Lease liabilities are due as follows:

	2021 £	2020 £
Not later than one year	**2,959,226**	2,861,995
Between one year and five years	**12,816,077**	12,181,810
Later than five years	**72,085,001**	74,645,073
	87,860,304	89,688,878

The cash outflow in the year totalled £7,803,810 (2020: £6,938,194).

17. Deferred taxation

	2021 £
At beginning of year	(20,231,877)
Charged to profit or loss	(7,882,361)
At end of year	**(28,114,238)**

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	**(28,933,768)**	(20,707,923)
Other temporary differences	**819,529**	476,046
	(28,114,239)	(20,231,877)

18. Other provisions

	Decommissioning provision £
At 1 January 2021	12,019,110
Effect of change in estimate	(971,521)
Unwinding of discount	138,375
At 31 December 2021	**11,185,964**

Decommissioning provision

Provision has been made for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 1.17% (2020: 0.62%). The expected year of decommissioning is 2037.

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19. Called up share capital

	2021	2020
	£	£
Authorised, allotted, called up and fully paid		
107,127,709 (2020 - 107,127,709) Ordinary shares shares of £1.00 each	**107,127,709**	107,127,709

20. Post Balance Sheet events

Under the current circumstances, where markets are disturbed by unrest in eastern Europe, resulting in gas supply uncertainty, the Company benefits from higher prices. In times of uncertainty conscious steer is given by the management to maintain sufficient funds to operate the Company. At present, the directors believe that the Company is well placed to continue without significant adverse operational or financial impact.

Across the world, multiple jurisdictions have imposed economic sanctions on Russia, Belarus and some individuals and entities deemed to be closely linked to government officials in both countries. In addition to this, companies trading with, or associated with, Russia and Belarus have engaged in boycotts and trade embargoes. The directors have considered the possible effects these could have on the Company and have determined that there is no impact to the Company.

There were no significant events after 31 December 2021 that required adjustment to or disclosure in the financial statements, other than the effects of the scrapping of the proposed change to the UK corporation tax rate from 19% to 25%, as disclosed in Note 10.

21. Ultimate parent undertaking and controlling party

At 31 December 2021 the immediate parent undertaking is Vattenfall Wind Power Ltd, a company registered in the United Kingdom. The directors regard Vattenfall AB, a company registered in S-162 87 Stockholm, Sweden as the Company's controlling party and ultimate parent undertaking.

The results of the Company are included in the consolidated financial statements of Vattenfall AB, the only group which consolidates the Company. The consolidated financial statements are available from the Vattenfall website, http://corporate.vattenfall.com.