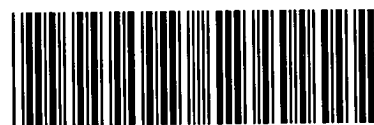


Registered number: 03658399

West Durham Windfarm Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2021

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COMPANIES HOUSE

West Durham Windfarm Limited

Company Information

Directors

D. Phelan (resigned 16 June 2022)
J. Gartland
D. Farrell (resigned 16 June 2022)
M. Diac (appointed 16 June 2022)
G. Pope (appointed 16 June 2022)

Company secretary

B. Corcoran

Registered number

03658399

Registered office

Tricor Suite
4th Floor
50 Mark Lane
London
United Kingdom
EC3R 7QR

Independent auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

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**Directors' Report
For the Year Ended 31 December 2021**

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

Statement of directors' responsibilities

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

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

Principal activities

The company is engaged in the operation of a wind farm in West Durham, United Kingdom.

Going concern

The directors have adopted the going concern basis in preparing the financial statements. Further details are set out in note 1.4 to the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £205 thousand (2020 - £136 thousand).

No dividend was declared by the directors (2020 - £Nil).

The Covid-19 pandemic has created turbulence and economic uncertainty, impacting individuals and businesses. However, given the nature of the Company's business, the directors do not believe that Covid-19 has any material impact on the company.

Directors' Report (continued)
For the Year Ended 31 December 2021

Directors, secretary and their interests

The directors who served during the year and up to the date of approval of these financial statements were:

D. Phelan (resigned 16 June 2022)
J. Gartland
D. Farrell (resigned 16 June 2022)
M. Diac (appointed 16 June 2022)
G. Pope (appointed 16 June 2022)

Political and charitable contributions

The company made no political or charitable contributions during the year (2020 - £Nil).

Research and Development

The company did not engage in any research or development activities in the current or preceding year.

Branches

The company has no branches outside the United Kingdom.

Principal risks and uncertainties

The company's risk profile reflects the principal activities of the business and is summarised below. Management have put in place a series of processes to mitigate major risk. The main risks facing the business are:

1. Safety

Given the nature of the company's activities in operating and maintaining the wind farm, the health and safety of contractors and the general public is of paramount importance to the company. The policy is to adopt a systematic approach to health and safety management in order to create and maintain a safe working environment, and to comply with all relevant legal and regulatory requirements.

2. Financial

There are a number of financial risks facing the company. Firstly, ensuring that the energy generated has a route to market. This risk is mitigated through the use of a power purchase agreement (PPA) placed with an electricity supply company.

3. Contractual

In the course of its normal trading activities, the company has entered into contracts to provide energy to an electricity supply company operating in the United Kingdom energy market. These contracts are reviewed and approved from a legal, insurance and financial perspective to ensure that no undue contractual risk exposure is created for the company.

4. Commodity

Due to the nature of the Power Purchase Agreement in place, the company is exposed to energy market price risk. The company continuously monitors and seeks ways to minimise its exposure to this risk.

Future developments

The directors have no plans to change the activities and operations of the company in the foreseeable future.

Directors' Report (continued)
For the Year Ended 31 December 2021

Events since the end of the financial year

The Ukraine crisis has created significant uncertainty in global markets, in particular, increased volatility in energy and commodity markets, increases in price inflation and potential supply disruption which may have direct and indirect impacts on individuals and businesses. The directors will continue to monitor this evolving situation and consider any impacts on the Company. The directors do not believe that the crisis will have a material impact on the Company.

There have been no other significant events since the Balance Sheet date that the directors believe require adjustment to, or disclosure in the financial statements.

Qualifying third party indemnity provisions

A directors' insurance policy is in place for the directors acting for West Durham Windfarm Limited.

Statement on relevant audit information

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 (within the meaning of section 418 (2) of the Companies Act 2006).

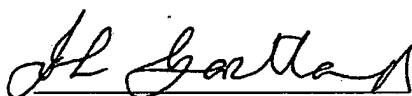
Small companies note

In preparing this report, the directors have taken advantage of the exemption provided by section 414B of the Companies Act 2006 in relation to the preparation of the Strategic Report. The directors have also taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. Section 415A provides an exemption from section 416(3) which requires a statement of amount recommended by way of dividend and an exemption from section 417 to include a business review.

Independent auditors

A resolution appointing Deloitte Ireland LLP as auditors will be proposed to the shareholders at the next general meeting of the company.

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



J. Gartland
Director
Date: 22 July 2022

Independent Auditors' Report to the Members of West Durham Windfarm Limited

Report on the audit of the financial statements

Opinion

In our opinion, West Durham Windfarm 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, which comprise:

- the Balance Sheet as at 31 December 2021;
- the Profit and Loss Account for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- 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 and Financial Statements 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.

Independent Auditors' Report to the Members of West Durham Windfarm Limited

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

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

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

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Independent Auditors' Report to the Members of West Durham Windfarm Limited

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 operation of the wind farm, 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 relevant taxation 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 management bias in determining judgements and estimates. Audit procedures performed included:

- discussions with the management, in respect of risk of fraud and any known or suspected instances of non-compliance with laws and regulation and fraud and reviewing Board Minutes;
- Confirmation with those charged with governance in respect of risk of fraud and any known or suspected instances of non-compliance with laws and regulation;
- consideration of the overall control environment and the processes and controls in place in the company, including procedures to achieve compliance with relevant laws and regulations; and
- testing of journal entries posted throughout the period and at period end.

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 received 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.

Independent Auditors' Report to the Members of West Durham Windfarm Limited

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Mary Cleary

Mary Cleary (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers

Chartered Accountants and Statutory Audit Firm

Dublin
Ireland

Date: 22 July 2022

**Profit and Loss Account
For the Year Ended 31 December 2021**

	Note	2021 £000	2020 £000
Turnover	3	4,564	3,662
Cost of sales		(2,281)	(2,296)
Gross profit		2,283	1,366
Administrative expenses		(1,011)	(528)
Operating profit	4	1,272	838
Interest receivable and similar income	7	-	4
Interest payable and similar charges	8	(386)	(482)
Profit on ordinary activities before taxation		886	360
Taxation on profit on ordinary activities	9	(681)	(224)
Profit for the financial year		205	136

The notes on pages 12 to 29 form part of these financial statements.

West Durham Windfarm Limited**Statement of Comprehensive Income
For the Year Ended 31 December 2021**

	2021	2020
	£000	£000
Profit for the financial year	205	136
Total comprehensive income for the year	205	136

The notes on pages 12 to 29 form part of these financial statements.

Balance Sheet
As at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	10	14,068	14,911
Right of use assets	11	1,677	1,832
		<u>15,745</u>	<u>16,743</u>
Current assets			
Trade and other receivables	12	1,320	1,836
Cash at bank and in hand	13	2,612	6,243
		<u>3,932</u>	<u>8,079</u>
Trade and other payables falling due within one year	14	(3,113)	(3,143)
Net current assets		<u>819</u>	<u>4,936</u>
Total assets less current liabilities		<u>16,564</u>	<u>21,679</u>
Trade and other payables falling due after more than one year	15	(6,029)	(11,660)
		<u>10,535</u>	<u>10,019</u>
Provisions for liabilities			
Deferred taxation	19	(1,901)	(1,315)
Other provisions	18	(1,497)	(1,772)
		<u>(3,398)</u>	<u>(3,087)</u>
Net assets		<u>7,137</u>	<u>6,932</u>
Capital and reserves			
Called up share capital	22	100	100
Profit and Loss Account		7,037	6,832
		<u>7,137</u>	<u>6,932</u>

The company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


J. Gartland

Director

Date: 22 July 2022

The notes on pages 12 to 29 form part of these financial statements.

**Statement of Changes in Equity
For the Year Ended 31 December 2021**

	Share capital £000	Profit and Loss Account £000	Total equity £000
At 1 January 2021	100	6,832	6,932
Comprehensive income for the year			
Profit for the financial year	-	205	205
At 31 December 2021	100	7,037	7,137

**Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Share capital £000	Profit and Loss Account £000	Total equity £000
At 1 January 2020	100	6,696	6,796
Comprehensive income for the year			
Profit for the financial year	-	136	136
At 31 December 2020	100	6,832	6,932

The notes on pages 12 to 29 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies

West Durham Windfarm Limited (registered number: 03658399) is a limited company incorporated and operating in the United Kingdom. The principal activity of the company is the operation of a wind farm. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are presented in Sterling, which is the functional currency of the company, rounded to the nearest thousand.

1.1 Basis of preparation of financial statements

The financial statements of West Durham Windfarm Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are valued at fair value, and in accordance with the Companies Act 2006.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- IAS 1: Presentation of Financial Statements: Certain disclosures including comparative information
- IAS 7: Statement of Cash Flows: A Cash Flow Statement and related notes
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 24: Related Party Disclosures: Disclosures in respect of transactions entered into between two or more members of the ESB Group, provided that any subsidiary which is party to the transaction is a wholly owned subsidiary
- IAS 24: Related Party Disclosures: Disclosures in respect of the compensation of key management personnel
- IFRS 15: Revenue from Contracts with Customers: Disclosure requirements of paragraphs 110, 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129

As the consolidated financial statements of Electricity Supply Board (ESB), the company's parent undertaking, include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 7: Financial Instrument Disclosures: Disclosures relating to financial instruments
- IFRS 13: Fair Value Measurement
- IAS 36: Impairment of Assets

1.3 New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.4 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company has adequate financial resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

At 31 December 2021 the company had net current assets of £819 thousand (31 December 2020: £4,936 thousand).

The directors, having regard to the continued support of its shareholder, ESB, have a reasonable expectation that the company will have adequate financial resources to continue in operational existence for at least 12 months from the date of approval of these financial statements and consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

1.5 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. The resulting monetary assets and liabilities are translated at the rate ruling at the Balance Sheet date and the exchange differences are dealt with in the Profit and Loss Account. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.6 Turnover

Turnover comprises income, exclusive of value added tax, derived from the sale of electricity generated by the company and is recognised in the Profit and Loss Account once the volume of energy sold under the terms of a power purchase agreement has been verified by both parties to the agreement. No turnover is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible rejection of services by the client.

1.7 Interest receivable and similar income

Interest income comprises interest income on bank deposits, which attract interest at prevailing deposit interest rates.

1.8 Interest payable and similar charges

Interest payable and similar charges comprises interest expense on borrowings, financing charges on lease liabilities and the unwinding of the discount on provisions for assets retirement obligations.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment in value, except for land which is shown at cost less impairment. Property, plant and equipment includes capitalised employee, interest and other costs that are directly attributable to the asset.

The charge for depreciation is calculated to write down the cost of property, plant and equipment to its estimated residual value over its expected useful life using methods appropriate to the nature of the company's business and to the character and extent of its property, plant and equipment. The major asset classification and its allotted life span is:

Plant and machinery	-	20 years
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Depreciation is provided on a straight-line basis for all depreciable assets from the date of commissioning (date available for use).

Reviews of depreciation rates and residual values are conducted annually.

Subsequent expenditure on property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the Profit and Loss Account during the financial period in which they are incurred.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.10 Right of use assets and lease liabilities

IFRS 16 Leases became effective on 1 January 2019 and lease liabilities were measured at the transition date for the remaining lease payments using the discount rate, lease term and other assumptions (reasonable certainty of extensions, terminations, etc) as at 1 January 2019.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. At the inception of a lease contract the company assesses whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an asset for a period of time in exchange for consideration, it is recognised as a lease.

To assess the right to control an asset, the company considers the following:

- does the contract contain an identifiable asset
- does the company have the right to obtain substantially all of the economic benefits of the asset
- does the company have the right to operate the asset throughout the period of the contract.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case in the company, the incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The company leases various wind farm land. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.11 Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU).

For power generation assets, value in use is based on the estimated cash flows expected to be generated by the asset and is based on estimates of forecast power generation, forecast power prices and the timing and extent of operating costs and capital expenditure. These cash flows are discounted to their present value using a pre-tax discount rate that reflects the current markets assessment of the time value of money and the risks specific to the asset.

1.12 Trade and other receivables

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method less provision made for impairment.

1.13 Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less.

1.14 Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest rate method.

1.15 Amounts payable to and receivable from group companies

Intercompany receivables and payables, including loans, are non-derivative financial assets and liabilities which are not quoted in an active market. Those with maturities less than twelve months after the Balance Sheet date are included in current assets and current liabilities respectively. Those with maturities greater than twelve months after the Balance Sheet date are included in non-current assets or liabilities, as appropriate. The balances are initially recorded at fair value and thereafter at amortised cost.

1.16 Derivative financial instruments

An interest rate swap is used by the company to hedge the variable interest rate on its borrowings. All such derivatives are recognised at fair value and are re-measured to fair value at the Balance Sheet date. Gains and losses on its subsequent re-measurement are recognised directly in the Profit and Loss Account.

1.17 Impairment of financial assets

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 expected credit loss calculations, based on the company's past history, existing market conditions and forward looking estimates at the end of each reporting period. For loans and balances with Group companies, the general approach permitted by IFRS 9 is applied, which requires 12 month expected credit losses to be recognised on initial recognition of these receivables.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

If a significant increase in credit risk occurs, this requires expected lifetime credit losses to be recognised on these receivables. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade and other receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there is no impairment loss identified.

1.18 Current and deferred taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised directly in other comprehensive income or equity.

Current tax

Current tax is provided at current rates and is calculated on the basis of results for the period.

Deferred tax

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

1.19 Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in interest payable and similar charges.

Provision for asset retirement obligations

The provision for retirement and decommissioning of the wind farm represents the present value of the current estimate of the costs of closure of the wind farm at the end of its useful life. The estimated costs of retirement obligations are recognised in full at the outset of the asset life, but discounted to present values using a risk-free rate. The costs are capitalised in property, plant and equipment and are depreciated over the useful economic life of the wind farm to which they relate. The costs are reviewed each year and amended as appropriate. Amendments to the discounted estimated costs are capitalised into the relevant assets and depreciated over the remaining life of those assets.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.20 Interest bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these borrowings are stated at amortised cost using the effective interest rate method.

1.21 Borrowing costs

Borrowing costs directly attributable to the construction of a 'qualifying asset' (one that necessarily takes a substantial period of time to get ready for intended use or sale) are included in the cost of the asset until such time as the asset is substantially ready for their intended use (commercial operation date). All other borrowing costs are recognised as an expense in the Profit and Loss Account.

1.22 Share capital

Financial instruments that have been issued are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the company. Ordinary shares are classified as equity.

1.23 Dividends

Dividends are recognised in the Statement of Changes in Equity when they have been approved by the directors and paid by the company.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Judgements made by management in the application of FRS 101 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are:

1. Carrying value of wind farm

The directors consider the appropriateness of the carrying value of the wind farm on an annual basis and have concluded that there have been no change in events or circumstances that indicate the carrying value may not be recoverable.

2. Fair value of derivative financial instruments

The directors have considered the fair values calculated using industry recognised techniques. The method used to calculate the fair value of the company's derivative financial instruments is discounted cash flow analysis using the zero-coupon discount rate. The method enables the company to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin. The directors consider the fair values appropriate.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

3. Turnover

An analysis of turnover by class of business is as follows:

	2021 £000	2020 £000
Electricity sales	4,564	3,552
Other income	-	110
	<u>4,564</u>	<u>3,662</u>

Analysis of turnover geographically:

	2021 £000	2020 £000
United Kingdom	4,564	3,662
	<u>4,564</u>	<u>3,662</u>

4. Operating profit

The operating profit is stated after charging:

	2021 £000	2020 £000
Depreciation of property, plant and equipment	1,747	1,727
Depreciation of right of use assets	155	155
Impairment of Trade Receivables	429	-
	<u>2,331</u>	<u>1,882</u>

5. Auditors' remuneration

The following amounts were paid to the company's auditors in respect of the audit of the financial statements:

	2021 £000	2020 £000
Audit fees	3	3
	<u>3</u>	<u>3</u>

The audit fee is paid by a fellow group company.

6. Employees and directors' remuneration

The company has no employees (2020 – Nil).

Directors of the company are employees of ESB and are remunerated by ESB for their services. During the year, no directors received any emoluments (2020 – Nil) in respect of acting as directors of the company.

Notes to the Financial Statements
For the Year Ended 31 December 2021

7. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	-	4
	<u>-</u>	<u>4</u>

8. Interest payable and similar charges

	2021 £000	2020 £000
Bank interest payable	406	620
Interest payable on loans from group undertakings	40	-
Finance charge on provision	29	8
Finance charge on lease liabilities	33	42
Fair value movements	(122)	(188)
	<u>386</u>	<u>482</u>

9. Taxation on profit on ordinary activities

	2021 £000	2020 £000
UK corporation tax		
Current tax on profits for the year	94	-
Total current tax	<u>94</u>	<u>-</u>
Origination and reversal of timing differences	172	67
Effect of increased tax rate on opening balance	415	131
Adjustments in respect of prior periods	-	26
Total deferred tax	<u>587</u>	<u>224</u>
Taxation on profit on ordinary activities	<u>681</u>	<u>224</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

9. Taxation on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from (2020 - differs from) the tax based on the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	886	360
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%)	168	68
Effects of:		
Fixed asset ineligible depreciation	51	47
Effect of increased tax rate on opening balance	415	131
Effect of increased tax rate on current year movement	42	-
Adjustments to tax charge in respect of prior periods	-	26
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5	2
Group relief received for nil consideration	-	(50)
Total tax charge for the year	681	224

Factors that may affect future tax charges

The UK corporation tax rate for the financial year was 19% (2020: 19%). The deferred tax liability at 31 December 2021 has been calculated based on the rate of 25% (2020: 19%) which was substantively enacted at the Balance Sheet date.

Notes to the Financial Statements
For the Year Ended 31 December 2021

10. Property, plant and equipment

	Plant and machinery £000	Assets under construction £000	Total £000
Cost or valuation			
At 1 January 2021	33,375	7	33,382
Additions	-	1,208	1,208
Change in estimate	(304)	-	(304)
Transfer	7	(7)	-
At 31 December 2021	<u>33,078</u>	<u>1,208</u>	<u>34,286</u>
Depreciation			
At 1 January 2021	18,471	-	18,471
Charge for the year	1,747	-	1,747
At 31 December 2021	<u>20,218</u>	<u>-</u>	<u>20,218</u>
Net book value			
At 31 December 2021	<u>12,860</u>	<u>1,208</u>	<u>14,068</u>
At 31 December 2020	<u>14,904</u>	<u>7</u>	<u>14,911</u>

The change in estimate in 2021 reflects a reduction in the asset retirement provision. Please see note 18 for more details.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

11. Right of use assets and lease liabilities

	2021 £000	2020 £000
Right of use assets		
Balance at 1 January	1,832	1,987
Depreciation	(155)	(155)
Balance at 31 December	1,677	1,832

	2021 £000	2020 £000
Lease liabilities		
Balance at 1 January	(1,806)	(1,934)
Finance charge	(33)	(42)
Lease payments	170	170
Balance at 31 December	(1,669)	(1,806)

Analysed as follows:

	2021 £000	2020 £000
Current liabilities	(155)	(155)
Non-current liabilities	(1,514)	(1,651)
	(1,669)	(1,806)

Amount recognised in the statement of Profit and Loss

	2021 £000	2020 £000
Expenses relating to variable lease payments not included in lease liabilities	216	39
	216	39

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

12. Trade and other receivables

	2021	2020
	£000	£000
Due within one year		
Trade receivables	164	554
Amounts owed by group undertakings	-	499
Accrued revenue	1,077	704
Prepayments	79	79
	<u>1,320</u>	<u>1,836</u>

Trade receivables is net of an impairment provision of £429 thousand (2020 - £Nil). Please see note 4.

13. Cash at bank and in hand

	2021	2020
	£000	£000
Cash at bank and in hand	<u>2,612</u>	<u>6,243</u>

Notes to the Financial Statements
For the Year Ended 31 December 2021

14. Trade and other payables falling due within one year

	2021 £000	2020 £000
Bank loans (note 16)	-	1,720
Trade payables	17	47
Amounts owed to group undertakings	1,268	47
Corporation tax	61	-
Taxation and social security	443	223
Lease liabilities (note 11)	155	155
Accruals	1,169	454
Derivative financial instruments (note 17)	-	497
	3,113	3,143

Included in the amounts owed to group undertakings within one year is an interest bearing loan provided by ESB in 2021. The loan repayable within one year is £1.14 million (2020 - £Nil). All other amounts owing to group undertakings are interest free and repayable on demand.

	2021 £000	2020 £000
Other taxation and social security		
VAT payable	443	223
	443	223

15. Trade and other payables falling due after more than one year

	2021 £000	2020 £000
Bank loans (note 16)	-	9,041
Derivative financial instruments (note 17)	-	968
Lease liabilities (note 11)	1,514	1,651
Amounts owed to group undertakings	4,515	-
	6,029	11,660

Liabilities due after more than five years are £1.09 million (2020 - £4.07 million).

Amounts owed to group undertakings greater than one year are in relation to the interest bearing loan provided by ESB on an arm's length basis in 2021. At 31 December 2021, the total loan balance repayable after more than one year is £4.5 million (2020 - £Nil). Interest is charged on the loan at a rate of 1.28% (2020 - Nil) and is repayable in half yearly instalments up to 30 June 2027.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

16. Loans

Analysis of the maturity of loans is given below:

	2021 £000	2020 £000
Amounts falling due within one year		
Bank loans	-	1,720
	<u>-</u>	<u>1,720</u>
Amounts falling due 1-2 years		
Bank loans	-	1,834
	<u>-</u>	<u>1,834</u>
Amounts falling due 2-5 years		
Bank loans	-	5,189
	<u>-</u>	<u>5,189</u>
Amounts falling due after more than 5 years		
Bank loans	-	2,018
	<u>-</u>	<u>2,018</u>
	<u>-</u>	<u>10,761</u>

The company repaid the external bank loan in 2021. In 2020 the loan was secured by a fixed and floating charge over certain assets of the company.

The company does not have an interest rate swap in 2021, in 2020 the interest swap in place was to hedge its exposure to interest rate fluctuations relating to its external borrowings. See note 17 for more information.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

17. Derivative financial instruments

In 2020 West Durham Windfarm Limited had an interest rate swap in place to hedge its exposure to interest rate fluctuations relating to its external loan. The company repaid the external bank loan and terminated the related interest rate swap in 2021. At 31 December 2009, this swap of £23 million (81.1% of the loan principal at 31 December 2009) was executed for the life of the loan, fixing the interest rate on the loan at 5.035%. The principal balance covered by the swap at 31 December 2021 is £Nil (2020 - £8.7 million).

The company does not trade in derivative financial instruments for speculative purposes.

Fair value

The fair value of a derivative financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method used to calculate the fair value of derivative financial instruments is discounted cash flow analysis, using a zero-coupon discount rate and reflecting counterparty credit risk. This method enables the company to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

The fair value of this derivative financial instrument at 31 December 2021 is £Nil (2020 - £1.47 million liability).

The interest rate used to discount future estimated cash flows in 2020 was 0.5%. In 2020 the rate was based on the LIBOR yield curve.

Fair value hierarchy

Measurement of fair values - Valuation techniques

The interest rate swap in West Durham Windfarm Limited was carried at fair value and classified as a level 2 derivative financial instrument. Level 2 derivative financial instruments can be defined as follows:

Level 2 - inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The valuation technique in measuring fair values is as follows:

Level 2 - Interest rate swaps were measured at present value of future contracted cash flows using constructed zero-coupon discount curve and reflecting counterparty credit risk. The zero-coupon curve is constructed using the interest yield curve of the relevant currency.

	Level 2 2021 £000	Level 2 2020 £000
Derivative financial instruments		
Interest rate swap	-	1,465

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

18. Other provisions

	Asset retirement provision £000
At 1 January 2021	1,772
Reduction during the year	(304)
Financing charge for the year	29
At 31 December 2021	1,497

The estimated value of future retirement costs at the Balance Sheet date include physical dismantling, site remediation and associated costs.

19. Deferred taxation

	2021 £000	2020 £000
At beginning of year	(1,315)	(1,091)
Charged to profit or loss	(586)	(224)
At end of year	(1,901)	(1,315)

The deferred tax liability is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(1,901)	(1,592)
Derivative financial instruments	-	277
	(1,901)	(1,315)

20. Capital commitments

The company has £79 thousand capital commitments at the Balance Sheet date (2020 - £Nil).

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

21. Events after the end of the financial year

The Ukraine crisis has created significant uncertainty in global markets, in particular, increased volatility in energy and commodity markets, increases in price inflation and potential supply disruption which may have direct and indirect impacts on individuals and businesses. The directors will continue to monitor this evolving situation and consider any impacts on the Company. The directors do not believe that the crisis will have a material impact on the Company.

There have been no other significant events since the Balance Sheet date that the directors believe require adjustment to, or disclosure in the financial statements.

22. Called up share capital

	2021	2020
	£000	£000
Authorised		
100,000 (2020 - 100,000) Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100,000 (2020 - 100,000) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

23. Controlling party

The company is 100% owned by West Durham Wind Farm (Holdings) Limited, a company incorporated in the United Kingdom. West Durham Wind Farm (Holdings) Limited is a wholly owned subsidiary of the ESB, established and operating in Ireland, which is the ultimate parent. The largest and smallest group into which the results of the company are consolidated is that headed by ESB and the consolidated financial statements of ESB are available to the public and may be obtained from 27 Fitzwilliam Street Lower, Dublin 2, Ireland, D02 KT92.