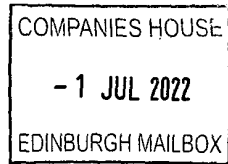


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Ventient Energy Limited

Annual report and financial statements

Registered number 10595093

Year ended 31 December 2021



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Strategic report

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

Principal activities

The current principal activity of Ventient Energy Limited ("VEL") and its subsidiaries, together the "Group", is the generation and sale of electricity from onshore wind turbines in the UK. We operate 34 onshore wind farms in the UK with an installed capacity of 689.5MW/h.

VEL is the UK subsidiary of Ventient Energy Sarl ("VES"), one of Europe's top independent producers of renewable energy with total installed capacity at 31 December 2021 of over 2.5GW across 135 wind farms in Belgium, France, Germany, Portugal, Spain and the United Kingdom. Ventient Energy Sarl is owned by the IIF International Holding LP ("IIF") advised by J.P. Morgan Asset Management.

Environment, Social and Governance

The Global Real Estate Sustainability Benchmarks (GRESB) survey completed by VES in 2021 produced an outstanding result once again, achieving a five-star rating and an overall score of 97 out of 100 for the second consecutive year. VES was once again ranked number one across all renewable and real estate companies measured for our performance. The GRESB assessment benchmarks our Environmental, Social and Governance (ESG) performance across the industry against our peers, both within the renewables industry and other businesses owned by IIF.

As a "large" group of companies, as defined by the Companies Act 2006, the Group falls under scope for the Streamlined Energy and Carbon Reporting disclosures required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. However by virtue of having no constituent companies which individually qualify for the purpose as "large" companies, the Group is exempt from the reporting requirements of the regulations. Nevertheless VES continues to work towards net zero carbon emissions in all territories and has reduced Scope 2 emissions over 2020 and 2021 to a level 26% less than emissions in 2019.

Business Review and Performance Summary

Revenue for the year was £144.4M, behind prior year (£164.5M) and Gross Profit declined to £80.9M (down £21.8M on 2020), both mainly due to severely reduced wind resource, particularly from July to September, but offset to an extent by higher sales prices. Despite the reduction in Gross Profit, Administrative expenses were broadly in line with 2020. EBITDA of £96M (operating profit of £26M adjusted to exclude depreciation and amortisation), was somewhat behind £120M in 2020 (based on operating profit of £42M) but consistent with budget of £97M. Including depreciation, amortisation and financing expense, the loss before tax is £3.8M, a £12M deterioration over the prior year, consistent with decreased revenue whilst maintaining a level cost base. Net asset position as at 31 December 2021 is £101M (2020: £116M).

Key Performance Indicators

KPI	Unit of Measure	Actual 2021	Budget 2021
Electricity Generation	GWh	1,368	1,673
Price	£/MW	104.00	93.19
Availability	%	94.80	93.20

Group electricity generation of 1,368 GWh was 18% behind plan (Budget 2021: 1,673 GWh) due to severely reduced wind resource, particularly from July to September. Average selling price per MWh at £104.00 was considerably higher than plan (Budget 2021: £93.19) due to a significant rise in wholesale energy prices at certain sites and an increase in ROC recycle price. Availability, a time measure of the windfarms' readiness to generate electricity, irrespective of wind, was above expected performance due to better efficiency and fewer than expected turbine faults.

Strategic report (continued)

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Group and the mitigating factors taken by the Group against these risks are detailed below. The principal risks noted below are not all the risks faced by the Group but are those risks which VEL perceives as those which could have a significant impact on the Group's performance and future prospects.

The principal risks and uncertainties facing the business are linked to wind conditions, energy pricing secured, asset performance and market regulation:

- Wind resource falling significantly below expectations. This could have a negative impact on revenues and cash flows resulting in the Company and the Group being unable to meet their financing arrangements renegotiated in 2017 at the point of the Ventient Group formation. These originally consisted of a £610M loan (balance at 31 December 2021: £462M) from a syndicate of eight banks and a loan from the owning Infrastructure Investment Fund (IIF) of £524M (31 December 2021: £128M). This is mitigated by the Group financing covenants which are set or hurdled against a low wind stress test cash flow modelling to ensure any one low wind year will not impact the Company's ability to meet the Company's future long-term obligations.
- Significant turbine serial defect or early end of life failure. This would have a negative impact on revenue and cash flows resulting in potential impairment of the tangible assets and the Company and the Group being unable to meet their financing arrangements as detailed above. However, the business consists of a large number of different turbine manufacturers and models with a wide age range located within a diverse geography. This ensures minimal impact on the portfolio if significant issues were to develop with any one model of turbine. The wind farms are appropriately insured against the impact of serial defect with suitable property Damage and Business Interruption policies.
- A significant failure of the electricity grid or infrastructure on or near a wind farm. A large, prolonged event would have a negative impact on revenue and cash flows resulting in potential impairment of the assets. The business ensures all appropriate maintenance and monitoring is carried out on its wind farm sites. The wind farms are appropriately insured against loss of grid through business interruption policies.
- Power Price falling significantly below market forecast which the Ventient Group obtains from third party energy market data providers (e.g. Afry). This would have a negative impact on turnover and cash flows resulting in potential impairment of the tangible assets and the Company and the Group being unable to meet future obligations as they fall due. All wind farms have ROC inflated to RPI annually, guaranteed under the UK government Renewable Obligation Scheme. They also benefit from a Power Purchase Agreement with an Investment level off-taker. This risk to meeting finance obligations is mitigated by modelling cash flows against a low power price assumption produced by independent energy consultants.
- Performance falling below expectations: The availability to generate of our windfarms is an important driver of revenue after considering price and wind. VEL maintains strong in-house skills and presence as well as a comprehensive control room infrastructure and asset performance activities, all of which combine toward the goal of maintaining and improving individual turbine and windfarm availability. The geographical and manufacturer diversity also contributes to mitigation of the risk of degradation of portfolio availability.

Strategic report *(continued)*

- **Regulation:** Wind projects operate in a twofold regulatory environment, involving specific renewables regulation and energy markets regulation. These two often intersect, not always in a beneficial manner for a renewable asset class or for particular generation locations. VEL maintains strong relationship with industry bodies as well as pursuing its own dialogues where possible to monitor, anticipate and model potential regulatory outcomes. Current charging reviews are ongoing by regulators and government and may result in reduced EBITDA if implemented, although any amounts are yet to be determined.
- **System integrity risk** – during the first months of 2022 there has been a significant increase in cyber attacks globally. The Company is part of a Group that has an advanced protection system and the directors consider that it is appropriately protected. However, the risk in this area is rapidly changing and an advanced protection system cannot categorically conclude that this risk is fully mitigated.
- **Brexit:** No significant economic effects have been experienced arising directly from the UK's departure from the European Union in 2020 however the Group continues to monitor market and economic data including gas and carbon prices, macroeconomic statistics and regulatory market updates to understand their impact on future price curves.
- **Ukraine conflict:** The onset of war in Ukraine has given rise to additional risks related to high energy prices and the volatility of the energy markets. The Company operates on a regulated market that protects the return on investment in the long term. Whilst it is not possible to determine what regulatory changes may take place in the future, it is not foreseen that any such changes are likely to have a negative material effect on the Company.

As growth through acquisition occurs, VEL also needs to be ready to effectively risk assess future acquisitions, incorporate those efficiently and ensure performance to expectations. VEL is developing its staff and adding to its personnel in order to support its growth opportunities.

Strategic report (continued)

Directors' Duties to Stakeholders (s172 statement)

The directors through the course of their actions take a long-term outlook on the ownership, operation and growth of the VEL business and these are driven by the needs of the stakeholders. The VEL vision is to be a trusted partner, providing value driven, innovative and responsible solutions for the energy needs of the future. VEL strives to be a partner of choice for employees, suppliers, landowners and local communities, and to grow the business portfolio sustainably.

VEL is represented in the first instance by its employees. VEL strives to employ people who embody its values and seek to create a working environment of respect, learning and support. Our people are encouraged to help community organisations and activities in the areas where VEL operates and VEL provides staff with paid time off work to do so. VEL regularly interacts with its employees asking a range of questions relating to many aspects of the employee work experience. Employees are able to submit feedback anonymously allowing the company to build a picture of employee welfare and concerns that enable further discussion and improvement activity.

VEL has integrated environmental, social and governance (ESG) matters into all aspects of how it conducts operations. VEL's focus in these areas helps to ensure that the business model is sustainable and focused on the long-term. Priorities in 2021 have also included: -

Demonstrating effective stewardship in the communities where we operate

- Implementing a stakeholder engagement plan to maintain strong and positive long-term relationships with our various stakeholders

Ensure the safety and engagement of our people

- Aim for zero serious safety incidents by implementing an effective safety culture across the business
- Expansion of our safety reports scheme and transformation of reports into charitable donations

Minimise the impact of our activities on the environment

- Offsetting our carbon footprint with the aim of fully offsetting our entire CO2 production by 2023
- New processes for monitoring energy consumption and emissions generated by our business travel
- Expansion of our initiatives in harvesting and filtering of rainwater to further reduce CO2 emissions

Conducting our business responsibly

- Implementation of a new GRESB committee to support standardisation of HSQE (health, safety, quality and environment) protocols and GRESB submissions, improving data collection and transparency

ENVIRONMENTAL

VEL is very proud to have a positive impact in helping reduce carbon emissions. Onshore wind represents an efficient low-cost method of renewable generation which can deliver benefits locally, nationally and internationally. It is one of the fastest growing sources of generation in the world.

The business intends to continue to increase positive environmental impact as the portfolio grows and is further committed to minimising the environmental impact of our operations as it does so.

Recognising efforts in this area, VEL retained its five-star rating and attained Sector Lead status with GRESB – the environmental, social and governance (ESG) benchmark for real estate and infrastructure investments across the world.

GRESB works in collaboration with industries to provide standardised and validated ESG for infrastructure businesses including the renewables sector. VEL sustained a high profile within the GRESB reporting process and achieved a five-star rating from GRESB.

Strategic report *(continued)*

SOCIAL

VEL takes great pride in supporting the communities around our wind farm sites. For example, in the United Kingdom in an average year, VEL distributes a total of £1,900,000 in community funding, typically administered and distributed to projects approved through local charitable trusts and community organisations.

Some of the local projects VEL has supported include aiding Covid-19 response by Community Councils; provision of food and medical equipment for elderly adults and children during lockdown; grants towards energy bills to help alleviate fuel poverty; creation of a local nature trail; maintenance and repair of leisure and community centres; provision of IT equipment for schools and playgroups; provision of sports equipment for football and cricket clubs; and provision of uniforms and musical equipment for brass and pipe bands

Landowners who host VEL projects are key contributors to the success and VEL works closely with them to ensure each wind farm is built upon a strong mutually beneficial relationship.

VEL believes that building strong partnerships with all stakeholders is good for our business. VEL actively listens to the concerns of the local communities in which VEL operates and is committed to a process of continuous engagement with all parties who have an interest in our activities.

VEL is a local employer wherever possible and our wind farm sites employ regionally based staff and contractors to maintain each project.

In support of VEL efforts to create a culture of continual improvement, VEL has successfully attained the international quality standards ISO 9001 (Quality), ISO 14001 (Environment) and ISO 45001 (Health & Safety).

With regard to business practice and achievement in helping staff and contractors get home safely at the end of the working day, VEL continues to achieve recognition in the internationally renowned RoSPA Health and Safety Awards.

GOVERNANCE

VEL is committed to the highest standards of corporate governance and the company's board of directors is composed of expert professionals with a vast range of experience, including energy, finance, M&A, and governance. This ensures that high standards are set for the Company, its employees and officers with an aim to foster a culture of performance, transparency, and accountability.

Being a responsible business means maintaining fair and effective business practices. VEL has implemented strong governance practices to ensure that business is conducted to the highest standards of honesty and integrity while complying with all legal and regulatory requirements. VEL Code of Ethics stipulates the minimum ethical standards of conduct VEL expects from employees, affiliates of the company as well as third party contractors providing services to the company. These standards include the following:

- ensure the health and safety of employees, contractors and guests
- create and maintain a tolerant workplace free from discrimination and harassment
- ensure a clean, safe and healthy environment in all practices
- know and comply with all laws and regulations applicable to your position
- ensure that all business transactions are properly authorized, that the books and records of the Company are complete and accurate and that the Company provides complete and accurate disclosure to its shareholders and government authorities
- avoid situations in which your personal interests conflict or appear to conflict with the interests of the Company
- protect the confidentiality of non-public information concerning the Company and its customers, contractors and shareholders
- not make promises, payments or authorise any gifts or anything of value on behalf of the Company, whether directly or indirectly, to government officials to obtain or retain business

Strategic report (continued)

- comply with all applicable Company policies, including those that bar personal or corporate political contributions intended to influence investment decisions by pension funds
- exhibit personal behaviour, both inside and outside of the workplace, which is consistent with and reinforces a positive public image of the Company.

Through our Whistleblowing procedure, VEL maintains a reporting hotline to report suspected unethical, illegal or unsafe behaviour. The reporting hotline can be accessed at wrs.expolink.co.uk/ventientenergy.

Future Developments

It is anticipated that the activities of VEL may grow, and a number of options exist to achieve this, all of which are considered:

- (i) beyond the UK as it seeks to grow its operating base,
- (ii) in addition to generation from wind, complementary investments may be considered in value accretive infrastructure such as hybridisation (wind combined with non wind generation) and storage/load shaping.
- (iii) In addition to possible expansion through acquisition, VEL also focuses on the extension of operating life on the projects which are currently in operation. This involves the assessment of options to continue generation for a longer life with current turbines, suitably assessed and maintained for that life extension, and the possibility of 'repowering' sites i.e. using sites currently under the control of VEL for more modern and higher generation technology than currently operate on site. Currently market signals do not incentivise sufficiently the repowering option but VEL has made progress in life extension work for older assets in the portfolio.
- (iv) Lastly, given the recent developments in Ukraine, and the sanctions being imposed on Russia by many countries as a result, the Managers' view is that whilst these developments and sanctions are unlikely to have a significant direct adverse impact on the financial results of the Group going forward, the situation continues to be monitored and will take all necessary actions where and when necessary to mitigate the risk to the business.



On behalf of the Board

P Andres
Director
20 June 2022

Registered office
Connect House
133-137 Alexandra Road, Wimbledon
London
SW19 7JY

Directors' report

The Directors present their Directors' report and audited consolidated financial statements for Ventient Energy Limited ("VEL") for the year ended 31 December 2021.

Results and dividends

The loss after tax for the year amounted to £33.9 million (2020: £3.5 million).

No dividends were paid or proposed in the current year or to the date of this report (2020: nil).

See the Strategic Report for discussion of the results and key performance indicators for the year.

Financial Risk Management

The company aims to minimise financial risk as far as it possibly can. The main purpose of the financial instruments is to provide working capital for the Group's continuing activities and provide funding for future activities. Given the nature of the Group's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact exposure is spread over several counterparties and customers who are of investment grade status. The main strategies for the Group financial instruments are outlined below:

- Trade Receivables: Power Price agreements are used to fix the electricity price and reduce the exposure to fluctuating market power prices. Customers or off takers are investment grade status
- Cash and Cash Equivalents: Cash flows are monitored regularly in order to meet bank covenant ratios and excess cash balances are returned to the owning stakeholder. There are no significant currency exposures. Based on the profile of major customers and past performance the directors believe that credit risk on cash flows is negligible.
- Loans and other borrowings: Loan debt is at a fixed interest rate and where this is not the case the interest exposure is hedged using interest rate swaps. For the external loan facility, the hedge covers 92% of the outstanding principal. The loans are due to be fully repaid by 31 December 2027.
- Trade Payables: significant suppliers such as operating and maintenance service providers are assessed for their financial viability and incentivised to achieve levels of windfarm performance. Again there is little direct exposure to supplier related foreign currency transactions.

Going Concern

As detailed in note 1.2, the directors are of the opinion that it is appropriate to adopt the going concern basis in the preparation of these financial statements.

Directors' report *(continued)*

Directors

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

Mark R Jones

Pablo Andres

Rui J Maia da Silva (appointed 3 September 2021)

David Huw Griffiths (resigned 2 March 2021)

Directors' indemnity and insurance

Throughout the financial year and at the date of approval, both qualifying third-party directors' and officers' liability insurance, and directors' indemnity provision, were in force.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2020: nil).

Stakeholder Engagement

The directors through the course of their actions take a long-term outlook on the ownership, operation and growth of the VEL business and these are driven by the needs of the stakeholders. The VEL vision is to generate renewable energy to secure the future of people and the planet. VEL aims to achieve sustainable growth through acquisition, operational excellence and teamwork, allowing our people and communities to safely innovate and thrive. VEL strives to be a partner of choice for employees, suppliers, landowners and local communities, and to grow the business portfolio sustainably.

VEL has integrated environmental, social and governance (ESG) matters into all aspects of how it conducts operations. VEL's focus in these areas helps to ensure that the business model is sustainable and focused on the long-term. Priorities in 2021 have also included: -

Demonstrating effective stewardship in the communities where we operate

- Implementing a stakeholder engagement plan to maintain strong and positive long-term relationships with our various stakeholders

Ensure the safety and engagement of our people

- Aim for zero serious safety incidents by implementing an effective safety culture across the business
- Development of new Covid-19 guidelines to protect our staff and a new bespoke tracking system to ensure the safety of our people and external contractors operating at our sites

Minimise the impact of our activities on the environment

- Further offsetting our carbon footprint with the aim of fully offsetting our entire CO2 production by 2022
- Implementing initiatives in harvesting and filtering of rainwater to further reduce CO2 emissions

Conducting our business responsibly

- Roll-out a new Code of Ethics to ensure that we conduct our business activities to the highest ethical standards and in accordance with appropriate legal and regulatory requirements.

Directors' report *(continued)*

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

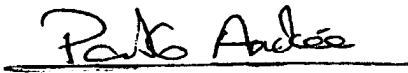
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 6. The most significant event since the end of the financial year is the onset of the conflict in Ukraine and its impacts are discussed in the Strategic report.

Auditor

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'P. Andres', is written over a horizontal line.

P Andres

Director

20 June 2022

Registered office

Connect House

133-137 Alexandra Road, Wimbledon

London

SW19 7JY

Statement of Directors' responsibilities in respect of the financial statements

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 group and the company 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 group and company and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

Independent auditors' report to the members of Ventient Energy Limited

Report on the audit of the Annual report and financial statements

Opinion

In our opinion, Ventient Energy Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows 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 Consolidated Balance Sheet and the Company Balance Sheet as at 31 December 2021; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the Consolidated Cash Flow Statement 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 group 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 group's and 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 group's and 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.

Report on the audit of the Annual report and financial statements *(continued)*

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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK health and safety regulations and the Office of Gas and Electric Markets regulations, 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 UK tax laws. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue or profit. Audit procedures performed by the engagement team included:

Report on the audit of the Annual report and financial statements *(continued)*

- Evaluation of management's controls designed to prevent and detect irregularities;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud or other matters;
- Reviewing meeting minutes of the Board of Directors;
- Applying professional scepticism and challenging assumptions made by management when auditing significant areas of estimate and judgement; and
- Obtaining the list of all journals entries posted during the year and performing testing of identified higher risk journals, including those involving unusual account combinations impacting revenue, cash, and earnings before interest, taxation, depreciation and amortisation that could indicate manipulation of the results for the year.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
20 June 2022

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021	2020
		£000	£000
Revenue	2	144,433	164,452
Cost of sales		(63,580)	(61,765)
Gross profit		80,853	102,687
Administrative expenses		(55,324)	(61,777)
Other income	19	298	887
Operating profit	3	25,827	41,797
Finance income	5	-	61
Finance expense	5	(29,601)	(33,362)
Net finance expense		(29,601)	(33,301)
(Loss)/Profit before tax		(3,774)	8,496
Taxation	6	(30,134)	(12,031)
Loss for the year after tax		(33,908)	(3,535)
Other comprehensive income/(loss)			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of hedges		22,737	(13,616)
Income tax on items that are or may be reclassified subsequently to profit or loss		(4,260)	2,789
Other comprehensive income/(loss) for the year		18,477	(10,827)
Loss for the year		(33,908)	(3,535)
Total comprehensive loss for the year		(15,431)	(14,362)

The notes on pages 22 to 59 form part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	7	422,144	442,558
Intangible assets	9	444,054	485,105
		<u>866,198</u>	<u>927,663</u>
Current assets			
Trade and other receivables	12	55,805	44,079
Cash and cash equivalents		11,602	12,775
		<u>67,407</u>	<u>56,854</u>
Current liabilities			
Interest-bearing loans and borrowings	13	(45,470)	(41,591)
Leases	8	(2,370)	(2,075)
Corporation tax		(2,723)	(2,146)
Trade and other payables	14	(26,661)	(16,841)
		<u>(77,224)</u>	<u>(62,653)</u>
Net current (liabilities)/assets		(9,817)	(5,799)
Non-current liabilities			
Leases	8	(40,842)	(42,306)
Interest-bearing loans and borrowings	13	(535,346)	(586,833)
Derivative financial liabilities	15	(1,001)	(23,738)
Provisions	16	(61,008)	(59,397)
Deferred tax liabilities	11	(117,220)	(93,195)
		<u>(755,417)</u>	<u>(805,469)</u>
Net assets		100,964	116,395
Equity attributable to equity holders of the parent			
Share capital	17	42,495	42,495
Hedge reserve	17	135	(18,342)
Capital contribution reserve	17	135,005	135,005
Accumulated losses		(76,671)	(42,763)
Total equity		100,964	116,395

The notes on pages 22 to 59 form part of these financial statements.

The financial statements on pages 14 to 59 were approved by the Board of Directors on 20 June 2022 and were signed on its behalf by:


P Andres
Director

Company registered number: 10595093

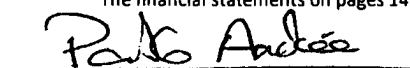
Company Balance Sheet
As at 31 December 2021

	Note	2021	2020
		£000	£000
Non-current assets			
Investments	10	351,908	351,908
Deferred tax assets	11	4,310	7,596
		<u>356,218</u>	<u>359,504</u>
Current assets			
Other receivables	12	862,116	919,868
Cash and cash equivalents		515	3,603
		<u>862,631</u>	<u>923,471</u>
Current liabilities			
Interest-bearing loans and borrowings	13	(45,470)	(41,591)
Trade and other payables	14	(288,272)	(272,335)
		<u>(333,742)</u>	<u>(313,926)</u>
Net current assets		528,889	609,545
Non-current liabilities			
Interest-bearing loans and borrowings	13	(535,346)	(586,832)
Derivative financial liabilities	15	(1,001)	(23,738)
		<u>(536,347)</u>	<u>(610,570)</u>
Net assets		<u><u>348,760</u></u>	<u><u>358,479</u></u>
Equity attributable to equity holders of the parent			
Share capital	17	42,495	42,495
Hedge reserve	17	135	(18,342)
Capital contribution reserve	17	176,049	176,049
Retained earnings		130,081	158,277
Total equity		<u><u>348,760</u></u>	<u><u>358,479</u></u>

The loss for the Company for the year ended 31 December 2021 was £28,196,000 (2020: loss of £28,131,000).

The notes on pages 22 to 59 form part of these financial statements.

The financial statements on pages 14 to 59 were approved by the Board of Directors on 20 June 2022 and were signed on its behalf by:



P Andres
Director

Company registered number: 10595093

Consolidated Statement of Changes in Equity

	Share capital £000	Hedge reserve £000	Capital reserve £000	Accumulated Losses £000	Total equity £000
Year ended 31 December 2021					
At 1 January 2021	42,495	(18,342)	135,005	(42,763)	116,395
Total comprehensive loss for the year					
Loss for the year	-	-	-	(33,908)	(33,908)
Effective portion of change in cash flow hedge, net of tax	-	18,477	-	-	18,477
Total comprehensive loss for the year	-	18,477	-	(33,908)	(15,431)
At 31 December 2021	42,495	135	135,005	(76,671)	100,964

Consolidated Statement of Changes in Equity (Continued)

	Share capital £000	Hedge reserve £000	Capital reserve £000	Accumulated Losses £000	Total Equity £000
Year ended 31 December 2020					
At 31 December 2019 (as originally presented)	42,495	(7,515)	176,049	(56,188)	154,841
Prior period adjustments	-	-	(41,044)	16,960	(24,084)
Restated total equity at 1 January 2020	42,495	(7,515)	135,005	(39,228)	130,757
Total comprehensive loss for the year					
Loss for the year	-	-	-	(3,535)	(3,535)
Effective portion of change in cash flow hedge, net of tax	-	(10,827)	-	-	(10,827)
Total comprehensive loss for the year	-	(10,827)	-	(3,535)	(14,362)
At 31 December 2020	42,495	(18,342)	135,005	(42,763)	116,395

Company Statement of Changes in Equity

	Share capital £000	Hedge reserve £000	Capital Reserve £000	Retained earnings £000	Total Equity £000
Year ended 31 December 2021					
At 1 January 2021	42,495	(18,342)	176,049	158,277	358,479
Total comprehensive loss the year					
Loss for the year	-	-	-	(28,196)	(28,196)
Effective part of change in cash flow hedge net of tax	-	18,477	-	-	18,477
Total comprehensive loss for the year	-	18,477	-	(28,196)	(9,719)
At 31 December 2021	42,495	135	176,049	130,081	348,760

Company Statement of Changes in Equity (continued)

	Share capital	Hedge reserve	Capital reserve	(Accumulated losses)/ Retained earnings	Total equity
Year ended 31 December 2020	£000	£000	£000	£000	£000
At 1 January 2020	42,495	(7,515)	176,049	186,408	397,437
Total comprehensive income for the year					
Profit for the year	-	-	-	(28,131)	(28,131)
Effective part of change in cash flow hedge, net of tax	-	(10,827)	-	-	(10,827)
Total comprehensive (loss)/income for the year	-	(10,827)	-	(28,131)	(38,958)
At 31 December 2020	42,495	(18,342)	176,049	158,277	358,479

Consolidated Cash Flow Statement for year ended 31 December 2021

	2021	2020
	£000	£000
Cash flows from operating activities		
Loss for the year	(33,908)	(3,535)
<i>Adjusted for:</i>		
Depreciation of tangible fixed assets	28,533	28,833
Amortisation of intangible fixed assets	41,226	48,883
Financial income	-	(61)
Financial expense	29,602	33,362
Taxation	30,134	12,031
	<u>95,587</u>	<u>119,513</u>
(Increase)/decrease in trade and other receivables	(11,724)	7,262
Increase/(decrease) in trade and other payables	9,103	(9,456)
	<u>92,966</u>	<u>117,319</u>
Tax paid	(9,060)	(10,292)
Net cash inflow from operating activities	<u>83,906</u>	<u>107,027</u>
Cash flows from investing activities		
Interest received	-	61
Acquisition of property, plant and equipment	(7,212)	(2,937)
Acquisition of software	(175)	-
Net cash outflow from investing activities	<u>(7,387)</u>	<u>(2,876)</u>
Cash flows from financing activities		
Repayment of loans and borrowings	(54,747)	(74,622)
Lease repayments	(3,018)	(3,659)
Interest paid	(19,927)	(29,478)
Net cash outflow from financing activities	<u>(77,692)</u>	<u>(107,759)</u>
Net decrease in cash and cash equivalents	(1,174)	(3,608)
Cash and cash equivalents at 1 January	12,776	16,384
Cash and cash equivalents at 31 December	<u><u>11,602</u></u>	<u><u>12,776</u></u>

Notes to the Financial Statements

Notes to the Financial Statements

1. Accounting policies

Ventient Energy Limited ("VEL") is a private company, limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 10595093 and the registered address is Connect House, 133-137 Alexandra Road, Wimbledon, London, SW19 7JY. The company was incorporated on 1 February 2017.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its Group. The Parent Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Group financial statements have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and in accordance with the historical cost convention. The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The Group and the Company financial statements are prepared in accordance with the Companies Act 2006.

Other than where a new accounting policy has been adopted, the accounting policies set out below have been applied consistently in these Group financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in section 1.19.

The Group's financial statements are presented in sterling, which is the Group's functional currency.

1.1 *Measurement convention*

The financial statements are prepared on the historical cost basis except for certain financial instruments which are stated at their fair value. All values are rounded to the nearest thousand (£000) except where otherwise indicated.

1.2 *Going concern*

The directors continually identify and monitor risks and uncertainties facing the business and have specifically conducted a review to assess the ability of the company to continue as a going concern, taking into account financial performance to date, the availability of debt and banking facilities and the Group's commercial strategies, and including debt service stress testing. The Group continues to generate significant cash, earning high margins before accounting for interest, tax, depreciation and amortisation. The Directors continue to take a long-term view for the business and future plans include extending the life of windfarms, particularly the older parts of the UK fleet portfolio.

All financial performance measures including asset availability, revenue generation, cost and overhead limitation and profit margin are currently tracking ahead of budget. In addition trade receivables are stable and trade payables have been greatly reduced.

Notes to the Financial Statements

1 Accounting policies (continued)

1.2 Going concern (continued)

Looking forward to the next twelve months the Group has ample headroom to meet its debt service and liquidity obligations, including covenants, even under the assumption of low prices and P90 wind. This headroom increases through 2022 and into 2023. To underpin this, the Group has entered into forward looking Power Purchase Agreements with a diverse variety of blue chip offtakers which guarantees future prices and provides a minimum of 87% certainty of revenue throughout the period under review.

Based on the above the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

1.4 Foreign currency

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional. Subsequent to initial recognition a loss allowance is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

Trade and other payables

Trade and other payables are carried at cost.

Notes to the Financial Statements

1 Accounting policies (continued)

1.5 Non-derivative financial instruments (continued)

Investments in debt and equity securities

All fixed asset investments held are stated at cost less impairment. A review of investments held is performed annually to determine whether an impairment trigger has occurred during the year. Any impairment in the value of the investment is charged to the income statement in the year it is identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

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

1.6 Derivative financial instruments

Cash flow hedges that qualify for hedge accounting

The Group uses interest rate swaps to hedge its interest rate risk exposure. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in the hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). Amounts taken to OCI are transferred to the Income Statement when the hedging instrument expires or is terminated.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

1.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs (including interest) directly attributable to bringing the asset to a working condition for its intended use. During the construction phase these assets are held separately and depreciation commences once the asset is commissioned.

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the final economic benefits will flow to the Group. The carrying amount of the asset replaced is then derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement.

Notes to the Financial Statements

1 Accounting policies (*continued*)

1.7 Property, plant and equipment (*continued*)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- wind farm assets up to 30 years
- decommissioning assets up to 30 years
- office equipment 3 years
- office building 10 years
- motor vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Leases

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if the rate can be determined, or the Group's incremental borrowing rate appropriate for the right-of-use asset arising from the lease.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit and 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and 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 twelve months or less.

1.9 Intangible assets

Wind usage rights

Wind usage rights represent the combination of the Renewable Energy Certificates and Power Purchase Agreements in place at each site at the time of acquisition.

Wind usage rights that are acquired by the Group are stated at fair value as at the acquisition date.

Goodwill

Goodwill arises on the acquisition of businesses and represents any excess of the cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets, liabilities and contingent liabilities determined at the date of acquisition (see Business Combinations accounting policy note 1.11). Goodwill in respect of an acquired business is recognised as an intangible asset. Goodwill is carried at cost less any recognised impairment losses and is tested at least annually or where there are indicators of impairment. An impairment loss is recognised if the carrying amount of a CGU exceeds its recoverable amount which is equal to the value of the future discounted cash flows. Impairment losses are recognised in the statement of comprehensive income.

Notes to the Financial Statements

1 Accounting policies (continued)

1.9 Intangible assets (continued)

Software

Internal-use software is amortised on a straight-line basis over the estimated useful life of the asset, which is estimated to be five years. When internal-use software that was previously capitalised is abandoned, the cost less the accumulated amortisation, if any, is recorded as amortisation expense.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated remaining useful lives of the intangible assets as at the time of acquisition which is up to 25 years.

1.10 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

1.11 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (at fair value) of the identifiable assets acquired and liabilities assumed.

Notes to the Financial Statements

1 Accounting policies (*continued*)

1.11 Business combinations (*continued*)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Where a business combination involves an entity under common control it falls outside the scope of IFRS3 Business Combinations. The Company therefore considers the economic substance of the transaction before exercising the judgement as to whether it is appropriate to apply either acquisition accounting or predecessor accounting (see 1.19 accounting estimates and judgements).

1.12 Provisions

Decommissioning of wind farms

A provision is made for the decommissioning of the wind farms based on the Group's best estimate of the cost of decommissioning. These costs are a contractual obligation when the planning consent is granted to ensure appropriate restoration of the land.

Provisions for decommissioning are recognised in full when the related facilities are constructed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment as a decommissioning asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed at each balance sheet date. Changes in the estimated timing and value of decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset cost. The unwinding of the discount on the decommissioning provision is included as a finance cost.

1.13 Revenue

Revenue is the income derived from the sale of generated electricity and associated renewable certificates (ROCs) and embedded benefits, measured at the fair value of consideration received or receivable, net of value added tax to electricity retailers. All revenue is generated in the United Kingdom.

Revenue is recognised where there is a signed unconditional contract of sale and is based upon the quantity of generated electricity exported and the contracted prices on the date of generation. In the case of ROC Recycle income, where the ROC price is not confirmed until after the balance sheet date, income is accrued and recognised based on an estimated unit price as provided by an industry leading independent third party.

Turndown income is the revenue earned by the business through the UK grid balancing mechanism, whereby the grid owner requests Ventient to limit its output and compensates it accordingly. Revenue is recognised as it occurs in accordance with third party confirmation of each restricted output period.

The company is obliged to deliver power and to record the quantity and value accurately. These obligations are satisfied when the wholesale customer submits monthly self-billing statements of usage and these have been matched to the Group's generation records.

1.14 Expenses

Royalty payments

Royalty payments to landlords are recognised in the income statement as they accrue, based on the terms of the agreement with the landlord at each site.

Notes to the Financial Statements

1 Accounting policies (continued)

1.15 Finance costs

Finance costs are recognised in the income statement as they accrue, using the effective interest method. Costs incurred in raising finance are capitalised and amortised over the length of the borrowing. Additional costs incurred due to the redemption of a facility are charged to the income statement in the year in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time (more than 12 months) to be prepared for use, are capitalised as part of the cost of that asset.

1.16 Finance income

Finance income arises on cash deposits and funds invested and is recognised in the income statement as it accrues, using the effective interest method.

1.17 Employee benefits

Wages and Salaries and Other short-term obligations

All liabilities in respect of employees' wages and salaries for services rendered, including annual leave are expected to be discharged within 12 months of the end of the reporting period in which these services were rendered. Amounts are measured at the amount expected to be paid when the liabilities are settled.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1.18 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the Financial Statements

1 Accounting policies (*continued*)

1.19 Critical Accounting estimates and judgements

In the process of applying the Group's accounting policies, management necessarily makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements.

The most critical of these accounting estimates are explained below.

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences might need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

Group treasury is managing the Group's GBP LIBOR transition plan. The greatest change will be amendments to the contractual terms of the GBP LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

The Group has applied the following reliefs that were introduced by the amendments made to IFRS 9 *Financial Instruments* in September 2019:

- When considering the 'highly probable' requirement, the Group has assumed that the GBP LIBOR interest rate on which the Group's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the GBP LIBOR interest rate on which the cash flows of the hedged debt, and the interest rate swap that hedges it, are based is not altered by LIBOR reform.
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to SONIA during 2022 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument.
- No other changes to the terms of the floating-rate debt are anticipated.
- All uncertainties over changes arising from the reform are reflected in the discount rate used in the calculation.

Impairment

In assessing impairment, judgment is required to establish whether there have been indicators of impairment for all amortising and depreciating non-current assets.

Once the need for a review of the carrying value of an asset has been determined, valuation requires estimation techniques similar to those used for the valuation of wind usage rights and is therefore subject to similar estimates and judgments.

Notes to the Financial Statements

1 Accounting policies (*continued*)

1.19 Critical Accounting estimates and judgements (*continued*)

Estimation of useful economic life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement. The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and is based on the shorter of technical life, economic life and contractual rights. This then reviewed annually for appropriateness and extended to the extent that the contractual rights allow it to be extended.

Decommissioning provision

Amounts used in recording a provision for decommissioning of wind farms are estimates based on current legal and constructive requirements. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on an annual basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining useful lives for each wind farm. While the Group uses its best estimates and judgement, actual results could differ from these estimates. In estimating decommissioning provisions, the Group applies annual inflation rates of 3.14% to 3.37% and discount rates of 1.05% to 1.41%.

ROC Recycle

The confirmed price for ROC recycle income is not known until after the balance sheet date. As such, income is recognised based on an estimated unit price as provided by an industry leading independent third party.

1.20 Adopted IFRS not yet applied

Other accounting standards and interpretations have been published and will be mandatory for the Group's accounting period beginning on or after 1 January 2022 or later periods. The impact of these standards is not expected to be material to the reported results and financial position of the Group.

Notes to the Financial Statements

2 Revenue

The group derives revenue from the sale of electricity generated from onshore wind turbines in the UK. Other sources of revenue include curtailment, liquidated damages and temporary agreements.

	2021 £000	2020 £000
Income from external customers	142,096	158,156
Other sources of revenue	2,337	6,296
	<u>144,433</u>	<u>164,452</u>

Economic factors that can affect the nature and uncertainty of revenue are the impact of the wholesale energy price on our variable price PPAs. The majority of our PPAs are fixed and others are affected by changes in the traded power market price.

For any revenue stream driven by generation (Traded Power, BSUoS), the performance obligation is satisfied by the transfer of power within the month. This is reconciled in the month of invoicing through the receipt of a customer statement, the VEL invoice, and subsequent payment. For the ROC Buyout, the performance obligation is satisfied by the transfer of ROCs from Ofgem to the customer. Both VEL and the customer receive notice of this.

Notes to the Financial Statements

3 Operating profit

Included in operating profit are the following:

	2021 £000	2020 £000
Depreciation of property, plant and equipment	28,533	28,833
- which includes depreciation of right-of-use assets	2,509	2,429
Amortisation of intangible fixed assets	41,226	48,883
Payments to landlords for royalties	9,586	8,950
	<u> </u>	<u> </u>

Auditors' remuneration:

	2021 £000	2020 £000
Audit of these financial statements	200	68
Amounts receivable by the company's auditors and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	-	242
	<u> </u>	<u> </u>
	200	310
	<u> </u>	<u> </u>

Other than audit fees no amounts were payable to the company's auditors during the year.

4 Staff numbers and costs

The average number of persons (including executive directors) employed by the Group was as follows:

	Number of Employees	
	2021	2020
Operations	22	19
Asset Management	17	15
Administration	29	23
	<u> </u>	<u> </u>
	68	57
	<u> </u>	<u> </u>

No persons are employed directly by the company (2020: nil).

Notes to the Financial Statements

4. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

Amounts payable in respect of employees (excluding directors):

	2021 £000	2020 £000
Wages and salaries	4,417	3,666
Social security costs	281	234
Other pension costs	253	173
	<u>4,951</u>	<u>4,073</u>

Amounts payable in respect of directors:

Directors' salaries	843	583
Compensation for loss of office	140	-
Directors' social security costs	271	150
	<u>1,254</u>	<u>733</u>
Directors' – total salary costs		
Directors' fees	-	381
Directors' bonus	480	569
Other pension costs	85	60
	<u>1,819</u>	<u>1,743</u>

No defined contribution pension payments were outstanding at the year end.

Information regarding payments to key management personnel, defined as the senior management team:

	2021 £000	2020 £000
Short term employee benefits	2,183	1,835
Other pension costs	85	85
	<u>2,268</u>	<u>1,920</u>

Information regarding the highest paid director is as follows:

	2021 £000	2020 £000
Emoluments	897	675
Other pension costs	45	30

Notes to the Financial Statements

5 Finance income and expense

Recognised in the income statement

	2021 £000	2020 £000
Finance income		
Bank and other interest receivable	-	61
Total finance income	-	61
Finance expense		
Interest payable on loans and borrowings	(8,097)	(11,449)
Interest payable on loans from related parties	(11,688)	(14,568)
Interest on lease liability	(1,845)	(1,884)
Interest on swaps	(5,555)	(3,461)
Amortisation of debt issue costs	(1,669)	(1,749)
Unwinding of discount on decommissioning provision	(747)	(251)
Total finance expense	(29,601)	(33,362)

Notes to the Financial Statements

6 Taxation

Recognised in the income statement

	2021 £000	2020 £000
Current tax expense:		
Current year	6,251	9,115
Adjustments in respect of prior periods	4,118	(758)
	<u>10,369</u>	<u>8,357</u>
Deferred tax expense:		
Origination and reversal of temporary differences	(5,405)	(8,121)
Restatement of Deferred Tax balances at 25% (PY: 19%)	25,399	10,953
Adjustments in respect of prior periods	(229)	842
	<u>19,765</u>	<u>3,674</u>
Total tax charge	<u>30,134</u>	<u>12,031</u>

Income tax recognised in other comprehensive income/(loss)

	2021 £000	2020 £000
Change in fair value of cash flow hedges	4,260	(2,789)
	<u>4,260</u>	<u>(2,789)</u>

Notes to the Financial Statements

6 Taxation (continued)

Reconciliation of effective tax rate

	2021 £000	2020 £000
(Loss)/Profit for the year before taxation	(3,773)	8,496
Tax using the UK corporation tax rate of 19% (2020: 19%)	(716)	1,614
Permanent timing adjustments	1,241	1,049
Impact of difference between CT and DT rate	321	-
Adjustments in respect of prior periods	3,889	(1,585)
Change in recognition of deferred tax assets	-	-
Impact of restating deferred tax balances at new DT rate	25,399	10,953
Total tax charge	30,134	12,031

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The 25% rate was substantively enacted on 10 June 2021. The deferred tax balances at 31 December 2021 have been measured using the rates that apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

Notes to the Financial Statements

7 Property, plant and equipment

Group	Wind farm assets £000	Decommissioning assets £000	Office Equipment £000	Office Building £000	Motor Vehicles £000	Total £000
Cost						
At 1 January 2020	505,237	43,133	476	1,446	163	550,455
Additions	2,927	761	10	-	-	3,698
Disposals	-	-	-	-	-	-
Transfers	(110)	-	-	-	-	(110)
At 31 December 2020	508,054	43,894	486	1,446	163	554,043
At 1 January 2021	508,054	43,894	486	1,446	163	554,043
Additions	7,212	906	-	-	-	8,119
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At 31 December 2021	515,266	44,800	486	1,446	163	562,162
Accumulated Depreciation						
At 1 January 2020	74,823	7,503	140	145	41	82,652
Charge for the year	25,633	2,988	27	144	41	28,833
At 31 December 2020	100,456	10,491	167	289	82	111,485
At 1 January 2021	100,456	10,491	167	289	82	111,485
Charge for the year	25,036	3,294	-	163	41	28,533
At 31 December 2021	125,492	13,784	167	452	122	140,018
Net book value						
At 31 December 2021	389,774	31,016	319	994	41	422,144
At 31 December 2020	407,598	33,403	319	1,157	81	442,558

Notes to the Financial Statements

8 Leases

The Group has lease contracts for windfarm assets used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Group	2021 £000	2020 £000
Right-of-use assets		
Windfarm assets	31,630	32,840
Office building	994	1,157
Motor vehicles	41	81
	<u>32,665</u>	<u>34,078</u>
Lease liabilities		
Current	2,370	2,075
Non-current	40,842	42,306
	<u>43,212</u>	<u>44,381</u>

Right-of-use assets are included in Windfarm Assets, Office Building and Motor Vehicles (Note 7).

There were no additions to the right-of-use assets during the 2021 financial year (2020: £1,000).

There were also remeasurements, due to changes in the Retail Price Index and Consumer Price Index, of £1,095,000 (2020: £308,000).

Notes to the Financial Statements

8 Leases (continued)

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £000	2020 £000
Depreciation charge of right-of-use assets		
Wind farm assets	2,305	2,244
Office building	163	144
Motor vehicles	41	41
	<u>2,509</u>	<u>2,429</u>
Interest expense (Note 5)	1,845	1,884
Expenses relating to variable lease payments not included in lease payments	5,398	4,900
Future minimum lease payments as at 31 December 2021 are as follows:		
Not later than one year	4,106	4,011
Later than one year and not later than five years	17,135	16,545
Later than five years	38,125	41,320
	<u>59,366</u>	<u>61,876</u>
Total gross payments		
	<u>(16,154)</u>	<u>(17,495)</u>
Impact of finance expense		
Carrying amount of liability	<u>43,212</u>	<u>44,381</u>

The total cash outflow for leases in 2021 was £8,718,000 (2020: £8,929,000).

The leases include windfarms, motor vehicles and an office building. Rental contracts are typically made for fixed periods of 6 months to 30 years, although there may be options to extend.

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 group.

Notes to the Financial Statements

9 Intangible assets

Group	Wind Usage Rights £000	Goodwill £000	Software £000	Total £000
Cost				
At 1 January 2020	579,543	66,789	-	646,332
Transfers	-	-	110	110
	<u>579,543</u>	<u>66,789</u>	<u>110</u>	<u>646,442</u>
At 31 December 2020	579,543	66,789	110	646,442
	<u>579,543</u>	<u>66,789</u>	<u>110</u>	<u>646,442</u>
At 1 January 2021	579,543	66,789	110	646,442
Additions	-	-	175	175
	<u>579,543</u>	<u>66,789</u>	<u>285</u>	<u>646,617</u>
At 31 December 2021	579,543	66,789	285	646,617
	<u>579,543</u>	<u>66,789</u>	<u>285</u>	<u>646,617</u>
Accumulated Amortisation				
At 1 January 2020	112,454	-	-	112,454
Charge for the year	48,861	-	22	48,883
	<u>161,315</u>	<u>-</u>	<u>22</u>	<u>161,337</u>
At 31 December 2020	161,315	-	22	161,337
	<u>161,315</u>	<u>-</u>	<u>22</u>	<u>161,337</u>
At 1 January 2021	161,315	-	22	161,337
Charge for the year	41,204	-	22	41,226
	<u>202,519</u>	<u>-</u>	<u>44</u>	<u>202,563</u>
At 31 December 2021	202,519	-	44	202,563
	<u>202,519</u>	<u>-</u>	<u>44</u>	<u>202,563</u>
Net book value				
At 31 December 2021	377,024	66,789	241	444,054
	<u>377,024</u>	<u>66,789</u>	<u>241</u>	<u>444,054</u>
At 31 December 2020	418,228	66,789	88	485,105
	<u>418,228</u>	<u>66,789</u>	<u>88</u>	<u>485,105</u>

Notes to the Financial Statements

9 Intangible assets (continued)

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement:

	2021 £000	2020 £000
Administrative expenses	41,226	48,883
	<u>41,226</u>	<u>48,883</u>

Wind usage rights:

Wind usage rights represent the combination of the Renewable Energy Certificates and Power Purchase Agreements in place at each site at the time of acquisition. The remaining amortisation periods range from 2 to 23 years.

At the end of each year, the Group assesses the assets of the windfarms, including wind usage rights, for impairment as described in note 1, by first assessing whether there have been any indicators (both internal and external) that an impairment has occurred. Impairment assessments are considered at individual site level, which is considered an appropriate cash generating unit for this test.

No impairments of assets were identified as a result of the assessments conducted.

Goodwill:

Goodwill is tested for impairment each year.

The goodwill has been allocated to one cash generating unit (CGU) as it arose as part of the same transaction in 2017 on the acquisition of the Mobius wind farms. The Impairment assessment was conducted to compare the carrying value of the CGU to the net present value of the future cash flows it is expected to generate, discounted at a rate that management have determined reflects the specific risks relating to the business. The Group forecasts CGU cash flows to the expected end of the wind farm useful lives. The pre-tax discount rate used was 3.95%. Other key assumptions used in the calculation of recoverable amounts are the future forecasted pricing and generation, both of which are based on external sources. The values assigned to the key assumptions therefore represent management's assessment of future trends in the industry and were based on both internal and external sources (prospective and historical data). This impairment test demonstrated that there was significant headroom over the carrying value of the goodwill, and no impairment was required.

The value in use has been assessed for sensitivities, and it was concluded that no reasonable sensitivity applied to the key assumptions of forecast pricing and generation or discount rate give rise to an impairment charge.

Notes to the Financial Statements

10 Investments

Company	2021 £000	2020 £000
Cost		
At 1 January	351,908	351,908
Additions	-	-
	<u>351,908</u>	<u>351,908</u>
Balance at 31 December	<u>351,908</u>	<u>351,908</u>
Impairment		
At 1 January	-	-
Provisions for the year	-	-
	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>
Net book value		
At 31 December	<u>351,908</u>	<u>351,908</u>

Notes to the Financial Statements

10 Investments (continued)

The Group and Company have the following investments in subsidiaries:

	Country of incorporation	Class of shares held	2021	2020
Directly held by the Company				
Mobius Wind Holdings Limited	England and Wales	Ordinary	100%	100%
Mobius Wind Holdings 2 Limited	England and Wales	Ordinary	100%	100%
Ventient Energy Services Limited	Scotland	Ordinary	100%	100%
Headwind Development Services Limited	England and Wales	Ordinary	100%	100%
Indirectly held by the Company				
Zephyr Investments Limited	England and Wales	Ordinary	100%	100%
Ardrossan Wind Farm (Scotland) Limited	Scotland	Ordinary	100%	100%
A'Chruach Wind Farm Limited	England and Wales	Ordinary	100%	100%
Bears Down Windfarm Limited	England and Wales	Ordinary	100%	100%
Blackstone Edge Wind Farm Limited	England and Wales	Ordinary	100%	100%
Beaufort Wind Limited	England and Wales	Ordinary	100%	100%
Causeymire Windfarm Limited	Scotland	Ordinary	100%	100%
Dalswinton Windfarm (Scotland) Limited	Scotland	Ordinary	100%	100%
Ffynnon Oer Windfarm Limited	England and Wales	Ordinary	100%	100%
Farr Windfarm Limited	Scotland	Ordinary	100%	100%
Galawhistle Wind Farm Limited	England and Wales	Ordinary	100%	100%
Gordonstown Hill Wind Farm Limited	England and Wales	Ordinary	100%	100%
Glenkerie Wind Farm Limited	England and Wales	Ordinary	100%	100%
Hill of Fiddes Wind Farm Limited	England and Wales	Ordinary	100%	100%
Lissett Airfield Wind Farm Limited	England and Wales	Ordinary	100%	100%
Low Spinney Wind Farm Limited	England and Wales	Ordinary	100%	100%
Minsca Windfarm (Scotland) Limited	Scotland	Ordinary	100%	100%
Mynydd Clogau Windfarm Limited	England and Wales	Ordinary	100%	100%
North Steads Wind Farm Limited	England and Wales	Ordinary	100%	100%
Rheidol Wind Farm Limited	England and Wales	Ordinary	100%	100%
Sisters Wind Farm Limited	England and Wales	Ordinary	100%	100%
Seamer Wind Farm Limited	England and Wales	Ordinary	100%	100%
Tedder Hill Wind Farm Limited	England and Wales	Ordinary	100%	100%
Westfield Wind Farm Limited	England and Wales	Ordinary	100%	100%
Wingates Wind Farm Limited	England and Wales	Ordinary	100%	100%
Mobius Estates Limited	England and Wales	Ordinary	100%	100%
Polwhat Gallow Rig Holdco Limited	Scotland	Ordinary	100%	100%
Polwhat Rig Windfarm Limited	Scotland	Ordinary	100%	100%
Gallow Rig Windfarm Limited	Scotland	Ordinary	100%	100%
Mobius Renewables Generation (GB) Limited	Scotland	Ordinary	100%	100%
Mobius Renewables Generation (GB2) Limited	England and Wales	Ordinary	100%	100%

Notes to the Financial Statements

10 Investments (continued)

Companies in liquidation

Maestro (Holdings 1) Limited	England and Wales	Ordinary
Jupiter Acquisitions Limited	England and Wales	Ordinary
Ardrossan Wind Farm (Scotland) (Holdings) Limited	Scotland	Ordinary
Mobius Argyle Limited	England and Wales	Ordinary
Mobius Gala Limited	England and Wales	Ordinary
North Steads Wind Farm Holdings Limited	England and Wales	Ordinary

The Company owned 100% of the ordinary share capital of all directly and indirectly owned subsidiaries at 31 December 2021 and 2020. The registered address for all companies incorporated in England and Wales above is Connect House, 133-137 Alexandra Road, Wimbledon, London, SW19 7JY, the registered address for all companies incorporated in Scotland above is 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ.

Under S479A of the Companies Act 2006, all subsidiary companies are exempt from audit with a guarantee by Ventient Energy Limited.

Notes to the Financial Statements

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

Group	Assets 2021 £000	Liabilities 2021 £000	Assets 2020 £000	Liabilities 2020 £000
Property, plant and equipment	-	50,625	-	37,839
Intangible assets	-	88,120	-	77,156
Derivative financial liabilities	(250)	-	(4,510)	-
Tax value of losses carried forward	(9,345)	-	(8,051)	-
IFRS 16	(2,165)	-	(1,762)	-
Corporate interest relief	(9,765)	-	(7,477)	-
Tax (assets) / liabilities	(21,525)	138,745	(21,800)	114,995
Net tax liabilities	-	117,220	-	93,195
Movement in deferred tax during the year	1 January 2021 £000	In other comprehensive income £000	In income statement £000	31 December 2021 £000
Property, plant and equipment	37,839	-	12,786	50,625
Intangible assets	77,156	-	10,964	88,120
Derivative financial liabilities	(4,510)	4,260	-	(250)
Tax value of loss carry-forwards utilised	(8,051)	-	(1,294)	(9,345)
IFRS 16	(1,762)	-	(403)	(2,165)
Corporate interest relief	(7,477)	-	(2,288)	(9,765)
	93,195	4,260	19,765	117,220
	1 January 2020 £000	In other comprehensive loss £000	In income statement £000	31 December 2020 £000
Property, plant and equipment	32,723	-	5,116	37,839
Intangible assets	77,212	-	(56)	77,156
Derivative financial liabilities	(1,721)	(2,789)	-	(4,510)
Tax value of loss carry-forwards utilised	(7,414)	-	(637)	(8,051)
IFRS 16	(1,524)	-	(238)	(1,762)
Corporate interest relief	(6,966)	-	(511)	(7,477)
	92,310	(2,789)	3,674	93,195

Notes to the Financial Statements

11 Deferred tax assets and liabilities (continued)

Company

	Assets 2021 £000	Assets 2020 £000
Derivative financial liabilities	250	4,510
Corporate interest relief	4,060	3,086
	<u> </u>	<u> </u>
Tax assets	<u>4,310</u>	<u>7,596</u>

Movement in deferred tax during the year

	1 January 2021 £000	In Other Comprehensive Income £000	31 December 2021 £000
Derivative financial liabilities	4,510	(4,260)	250
Corporate interest relief	3,086	974	4,060
	<u> </u>	<u> </u>	<u> </u>
	<u>7,596</u>	<u>(3,286)</u>	<u>4,310</u>

	1 January 2020 £000	In Other Comprehensive loss £000	31 December 2020 £000
Derivative financial liabilities	1,721	2,789	4,510
Corporate interest relief	2,695	391	3,086
	<u> </u>	<u> </u>	<u> </u>
	<u>4,416</u>	<u>3,180</u>	<u>7,596</u>

Neither the Group nor the Company has any unrecognised tax losses and there is no time limit on the expiry of recognised tax losses.

The 2020 financial statements only disclosed the Group Deferred tax assets and liabilities and did not disclose the individual Deferred tax assets of the Company. However these are included in these financial statements together with comparative amounts for 2020.

Notes to the Financial Statements

12 Trade and other receivables

	Group	Company	Group	Company
	2021	2021	2020	2020
	£000	£000	£000	£000
Amounts owed by related parties	5,908	433	1,690	433
Amounts owed by group undertakings	-	861,590	-	919,359
Trade receivables	8,181	-	6,489	-
Accrued income	37,141	-	31,551	-
Other receivables	1,321	93	1,294	38
Prepayments	3,254	-	3,055	38
	<u>55,805</u>	<u>862,116</u>	<u>44,079</u>	<u>919,868</u>

The increase in accrued income is principally due to a significant rise in the ROC Recycle price in 2021.

13 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Information relating to interest rates and liquidity is included in note 18.

Group and Company	Group	Company	Group	Company
	2021	2021	2020	2020
	£000	£000	£000	£000
Current liabilities				
Secured bank loans	45,470	45,470	41,591	41,591
	<u>45,470</u>	<u>45,470</u>	<u>41,591</u>	<u>41,591</u>
Non-current liabilities				
Secured bank loans	407,656	407,656	439,359	439,359
Amounts owed to related parties	127,690	127,690	147,474	147,474
	<u>535,346</u>	<u>535,346</u>	<u>586,833</u>	<u>586,833</u>

At 31 December 2021 the carrying value of the debt included £9,000,000 (2020: £10,669,000) of unamortised capitalised transaction fees. Amounts owed to related parties are 8.5% loan notes due 2037.

The Group had undrawn borrowing facilities at 31 December 2021 of £44,000,000 (2020: £52,000,000), £11,000,000 (2020: £11,000,000) of the RCF facility was in use to cover issued Letters of Credit.

Notes to the Financial Statements

14 Trade and other payables

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Current				
Trade payables	6,616	20	2,631	-
Accrued expenses	16,840	6,010	10,160	548
Amounts due to group undertakings	-	282,242	-	271,787
Other payables	3,205	-	4,050	-
	<u>26,661</u>	<u>288,272</u>	<u>16,841</u>	<u>272,335</u>

15 Derivative financial instruments

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Interest rate swaps	(1,001)	(1,001)	(23,738)	(23,738)
	<u>(1,001)</u>	<u>(1,001)</u>	<u>(23,738)</u>	<u>(23,738)</u>

Interest Rate Swaps

During December 2017 VEL entered into agreements with its lending consortium of banks to hedge the loan funding provided by the consortium for the period of the loan: December 2017 to Dec 2027.

The loan interest is hedged at 92% of the notional outstanding loan principal at each six-month period for the tenure of the loan. The nominal amount of the interest rate swaps changes every 6 months to reflect the profile of the outstanding loan principal. It decreases from £413,149,000 as at 1 January 2022 to the final balance of £161,820,000 as at 1 July 2027 prior to the end of the swap agreement in December 2027. The hedge is considered to be effective on the basis that the key terms of the interest rate swaps are consistent with those of the loan. The interest rate swaps are expected to be effective for their duration.

Notes to the Financial Statements

16 Provisions

Group

	Decommissioning provision £000
At 1 January 2020	58,385
Additions	761
Unwinding of discounted amount	251
Balance at 31 December 2020	59,397
Non-current	59,397
Current	-
At 1 January 2021	59,397
Additions	864
Unwinding of discounted amount	747
Balance at 31 December 2021	61,008
Non-current	61,008
Current	-

Decommissioning provision

The provision for the decommissioning of the wind farm represents the net present value of the Group's best estimate of the costs to decommission the wind farm at the end of its useful life. The provisions were re-estimated at the end of the year to reflect current management expectations of the future liability.

The closing provision has been discounted to its present value for each wind farm separately, based on the yield on a UK gilt maturing at the end of each wind farm's economic life (between 2021 and 2042).

Decommissioning assets are recognised to match the decommissioning liability, refer to Note 7. Unwinding of discount amount is recognised only in the decommissioning liability.

Decommissioning costs were last assessed by an independent expert in February 2017 but these provisions have been revisited from time to time over the intervening period by internal management and independent agents for the business and planning authority. These reviews are required as part of the planning authority agreements entered into by the business, S75 or equivalent agreements.

Notes to the Financial Statements

17 Capital and reserves

Share capital

	Ordinary shares 2021	Ordinary shares 2020
In thousands of shares		
Issued for cash	42,495	42,495
On issue at 31 December – fully paid	42,495	42,495
	2021	2020
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £1.00 each	42,495	42,495
	42,495	42,495

The holders of 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.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Capital contribution reserve

The capital contribution reserve arose on the Business Combination Under Common Control of the Zephyr portfolio transaction.

Accumulated losses

This reserve account records accumulated losses

Group	2021 £000	2020 £000
Balance 1 January	42,763	39,228
Net loss for the year	33,908	3,535
At 31 December	76,671	42,763

Notes to the Financial Statements

18 Financial instruments

Capital management

The Group's policies seek to match long-term assets with long-term finance and to ensure that there is sufficient working capital to meet the Group's commitments as they fall due, comply with the loan covenants and continue to sustain trading. Management will continue to monitor actual cash flows against approved cash flow forecasts.

Financial instruments comprise trade and other receivables, amounts receivable from related parties, cash and cash equivalents, loans and borrowings, trade and other payables and provisions. Financial instruments give rise to credit, liquidity and interest rate risks. Information about these risks and how they are managed is set out below.

Financial instruments – measurement

Financial instruments are classified into the following levels based upon the degree to which fair value is obtainable:

Level 1 – those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – those fair values derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is based on broker quotes and classified as Level 2. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

In the opinion of the Directors, the carrying value of all material financial instruments is deemed to be a reasonable approximate of the fair value.

Notes to the Financial Statements

18 Financial instruments (continued)

The following table presents the carrying values and the fair values of financial instruments carried at amortised cost on the balance sheet, except interest rate swaps valued at fair value.

Group

	Carrying Value	Fair Value	Carrying Value	Fair Value
	2021	2021	2020	2020
	£000	£000	£000	£000
Assets measured at amortised cost				
Cash and cash equivalents	11,602	11,602	12,775	12,775
Amounts owed by related parties	5,908	5,908	1,690	1,690
Trade receivables	8,181	8,181	6,489	6,489
Accrued income	37,141	37,141	31,551	31,551
Other receivables	1,321	1,321	1,294	1,294
Prepayments	3,254	3,254	3,055	3,055
	<u>67,407</u>	<u>67,407</u>	<u>56,854</u>	<u>56,854</u>
Liabilities measured at amortised cost				
Trade payables	6,616	6,616	2,631	2,631
Accrued expenses	16,840	16,840	10,161	10,161
Leases	43,212	43,212	44,381	44,381
Interest bearing loans	453,126	509,723	480,950	554,320
Amounts payable to related parties	127,690	296,793	147,474	356,162
Other payables	3,205	3,205	4,050	4,050
Liabilities held at fair value				
Interest rate swaps	1,001	1,001	23,738	23,738
	<u>651,690</u>	<u>877,390</u>	<u>713,385</u>	<u>995,443</u>

Due to the nature of cash and cash equivalents and the short-term nature of trade receivables, their carrying amount is considered to be the same as their value.

The carrying amounts of trade and other payable, accrued expenses and interest payable are considered to be the same as their fair values, due to their short-term nature. See note 8 for information on lease liabilities.

Notes to the Financial Statements

18 Financial instruments (continued)

Interest bearing loans and amounts payable to related party fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counter-party credit risk.

The amounts stated above in respect of amounts owed by related parties, accrued income, other receivables, prepayments and other payables were not disclosed in the 2020 financial statements, but have been disclosed in these financial statements, including the comparative amounts for 2020.

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Market risk – interest rate risk

The Group adopts a policy of ensuring that at least 80% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. The Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Except for the GBP LIBOR floating-rate debt noted below there are no other liabilities which could be affected by the IBOR reforms.

Sensitivity analysis on interest rates

The Group's treasury department is responsible for managing the interest rate risk associated to activities developed by the Group, contracting derivative financial instruments to mitigate this risk. Since the underlying effect on interest rates arising from the transition from LIBOR to SONIA is considered to be minimal, and the mitigation of any impact from this being covered by 92% hedging of the variable portion of the debt, the directors consider that any interest rate risk is negligible and detailed sensitivity analysis is not required.

Credit risk

Policies are in place to ensure that the sale of generated electricity is made to customers with appropriate credit ratings. These ratings are monitored to determine if there has been a significant increase in credit risk since initial recognition, due to either or both, a change in the credit rating of the counterparty or instances of default, where the counterparty fails to make payments within 60 days of when they fall due.

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

	2021		2020	
	£000	£000	£000	£000
	Gross	Provisions	Gross	Provisions
Not past due	3,613	-	4,646	-
Past due 1 – 3 months	3,386	-	1,531	-
3-6 months	1,192	10	194	-
Past 6 months	10	10	138	20
	<u>8,201</u>	<u>20</u>	<u>6,509</u>	<u>20</u>

Notes to the Financial Statements

18 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Short-term liquidity is reviewed daily by the Treasury function, while the longer-term liquidity position is reviewed on a regular basis by the Board. The Group's Treasury function is also responsible for managing the banking requirements of the Group, risk management relating to interest rate risk, and managing the credit risk relating to the banking counterparties with which it transacts, including ensuring compliance with any banking covenants. The Group can have significant movements in its liquidity position due to movements in electricity prices and working capital requirements.

The Group's policy is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. The Group finances activities with cash from operating activities.

The following are the contractual maturities of financial liabilities (all sterling denominated), including estimated interest payments and excluding the effect of netting agreements:

At 31 December 2021	Nominal interest rate	Year of maturity	Carrying value £000	Cash flows £000	In less than one year £000	Between two and five years £000	In more than five years £000
<i>Non-derivative financial liabilities</i>							
Trade payables		2021	6,615	6,615	6,615	-	-
Accrued expenses		2021	16,840	16,840	16,840	-	-
Interest payable		2021	-	-	-	-	-
Interest bearing borrowings	1.6+LIBOR	2027	453,127	495,213	54,902	232,203	208,108
Amounts owed to related party	8.5%	2037	127,690	301,348	10,854	43,414	247,080
Leases			43,212	59,366	4,106	17,135	38,125
Total			647,484	879,382	93,317	292,752	493,313

Notes to the Financial Statements

18 Financial instruments (continued)

At 31 December 2021	Year of maturity	Cash flows £000	In less than one year £000	Between two and five years £000	In more than five years £000
<i>Derivative financial liabilities</i>					
Cash flow hedge	2027	1,270	173	492	605
Total		1,270	173	492	605

At 31 December 2020	Nominal interest rate	Year of maturity	Carrying value £000	Cash flows £000	In less than one year £000	Between two and five years £000	In more than five years £000
<i>Non-derivative financial liabilities</i>							
Trade payables		2020	2,631	2,631	2,631	-	-
Accrued expenses		2020	10,161	10,161	10,161	-	-
Interest payable		2020	-	-	-	-	-
Interest bearing borrowings	1.6+LIBOR	2027	480,950	538,395	52,470	225,397	260,528
Amounts owed to related party	8.5%	2037	147,474	360,573	12,535	50,141	297,897
Leases			44,381	61,876	4,011	16,545	41,320
Total			685,597	973,636	81,808	292,083	599,745

Notes to the Financial Statements

18 Financial instruments (continued)

At 31 December 2020	Year of maturity	Cash flows £000	In less than one year £000	Between two and five years £000	In more than five years £000
<i>Derivative financial liabilities</i>					
Cash flow hedge	2027	27,558	5,592	17,016	4,950
Total		27,558	5,592	17,016	4,950

Of which:

	Carrying Value at 31 December 2021		Have yet to transition to an alternative benchmark interest rate as at 31 December 2021	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Non-derivative assets and liabilities exposed to GBP LIBOR				
Measured at amortised cost				
Interest bearing borrowings	-	453,127	-	453,127
Total non-derivative	-	453,127	-	453,127
Derivatives	-	1,001	-	1,001
Total assets and liabilities exposed to GBP LIBOR	-	454,128	-	454,128

In the directors' opinion the change in benchmark interest rate from LIBOR to SONIA will have no material effect on the Fair Values used for calculating hedge ineffectiveness and no amount of notional value is directly impacted by IBOR reform.

Notes to the Financial Statements

19 Related party transactions

Related party transactions occurring during the year and balances outstanding at the year-end are as follows:

Outstanding receivable / (payable)

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Receivables				
Mobius Renewables Midco (Jersey) Limited	433	433	433	433
Ventient Energy Europe Finco Sarl	1,120	-	1,257	-
Beta Participaciones Iberica SLU	938	-	-	-
IEL Exploitation 23	94	-	-	-
Beta Renewables France, SAS	427	-	-	-
EP10 SAS	65	-	-	-
Windpark Spremberg GmbH	98	-	-	-
Ventient Lubbow-Bosel GmbH	79	-	-	-
Ventient Schweskau GmbH	70	-	-	-
Ventient Torbringen GmbH	24	-	-	-
Windpark Mastershausen GmbH	60	-	-	-
Windpark Mastershausen II GmbH	31	-	-	-
Windpark Buren GmbH	87	-	-	-
Windpark Springe-Bennigsen GmbH	44	-	-	-
Ventient Windpark Dabern GmbH	18	-	-	-
Ventient Windpark Eisterwerda GmbH	9	-	-	-
Ventient Windpark Woschkow GmbH	17	-	-	-
Ventient Windpark Lausitz GmbH	79	-	-	-
Ventient Energy Servicos SA	1,246	-	-	-
Ventient Energy S.a.r.l.	970	-	-	-
	5,909	433	1,690	433
	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Payables				
8.5% 2037 Loan notes - Ventient Energy UK Holdco Limited	(127,690)	(127,690)	(147,474)	(147,474)

During the year payments were paid relating to loan notes totalling £31,471,422: capital repayment £19,783,881 and loan interest £11,687,541 (2020: £54,512,227: capital repayment £39,943,891 and loan interest £14,568,336). Loan notes are payable to Ventient Energy UK Holdco Limited, a company within the wider European Group

During the year management fees totalling £4,278,000 (2020: £887,000) were issued to related companies within the wider European Group, as follows:

Notes to the Financial Statements

19 Related party transactions (continued)

During the year management fees totalling £4,278,000 (2020: £887,000) were issued to related companies within the wider European Group, as follows:

Fees/associated costs during the year

	Fees 2021 £000	Costs 2021 £000	Net 2021 £000	Fees 2020 £000
Ventient Energy Europe Finco Sarl	-	-	-	760
Beta Participaciones Iberica SL	857	797	60	81
IEL Exploitation 23	94	88	6	-
Beta Renewables France, SAS	431	401	30	46
EP10 SAS	65	61	4	-
Windpark Spremberg GmbH	98	91	7	-
Ventient Lubbow-Bosel GmbH	79	73	6	-
Ventient Schweskau GmbH	70	65	5	-
Ventient Torbringen GmbH	24	23	1	-
Windpark Mastershausen GmbH	60	57	3	-
Windpark Mastershausen II GmbH	31	28	3	-
Windpark Buren GmbH	87	81	6	-
Windpark Springe-Bennigsen GmbH	44	41	3	-
Ventient Windpark Dabern GmbH	18	16	2	-
Ventient Windpark Eisterwerda GmbH	9	8	1	-
Ventient Windpark Woschkow GmbH	17	16	1	-
Ventient Windpark Lausitz GmbH	79	73	6	-
Ventient Energy Servicos SA	1,246	1,159	87	-
Ventient Energy S.a.r.l.	969	902	67	-
	4,278	3,980	298	887

20 Capital commitments and guarantees

The group had unexpired Letters of Credit totalling £10,600,000 at 31 December 2021 (2020: £11,000,000).

Notes to the Financial Statements

21 Ultimate parent company and controlling party

The immediate parent company is Ventient Energy UK Holdco Limited incorporated on the 28th November 2019.

The smallest and largest group to consolidate these financial statements is Ventient Energy Sarl, a Luxembourg registered entity which has a registered address of 11 Boulevard De la Foire, L-1528 Luxembourg.

The ultimate parent company is IIF International Holding LP, an entity 100% owned by institutional investors and so there is no ultimate controlling party. IIF International Holding LP is a Cayman Islands exempted limited partnership advised by JP Morgan Investment Management, a registered investment advisor regulated by the US Securities and Exchange Commission and which is a wholly owned subsidiary of JPM Morgan Chase & Co.

22 Post consolidated statement of financial position events

Ukraine Conflict

Given the recent developments in Ukraine, and the sanctions being imposed on Russia by many countries as a result, the Directors' view is that whilst these developments and sanctions are unlikely to have a significant direct adverse impact on the financial results of the Group going forward, the situation continues to be monitored and the Directors will take all necessary actions where and when necessary to mitigate the risk to the business. Besides, the net zero greenhouse gas emission goals and incentives, accelerated by the conflict in Ukraine, are driving rapid investment in renewable energy sources, globally and especially in Europe to achieve energy independence thereby creating a highly competitive market. See strategic report for further details of the group's consideration of the Ukraine conflict's impact on the business