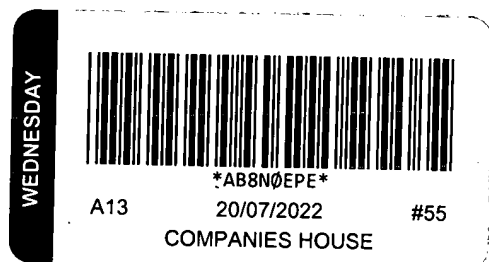


Registration number: 05294242

Morecambe Wind Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



Morecambe Wind Limited

Contents

Company Information	1
Directors' Report	2 to 4
Independent Auditors' Report	5 to 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 to 28

Morecambe Wind Limited

Company Information

Directors	Hugh Alistair Yendole Philip Henry De Villiers Heather Chalmers White Charles Jordan
Registered office	5 Howick Place London England SW1P 1WG United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH United Kingdom

Morecambe Wind Limited

Directors' Report for the Year Ended 31 December 2021

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

Incorporation

The company was incorporated in England on 23 November 2004 as a private company limited by shares under the Companies Act 2006. The address of its registered office is 5 Howick Place, London, England, SW1P 1WG.

As at 31 December 2021, the company was owned by Orsted West of Duddon Sands (UK) Limited (50%) and ScottishPower Renewables (WODS) Limited (50%).

Directors of the company

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

Hugh Alistair Yendole

Philip Henry De Villiers

Heather Chalmers White

Charles Jordan (appointed 29 November 2021)

Jonathan Thomas Kirkwood Cole (resigned 4 October 2021)

Principal activities

The principal activity of the company is to participate in the Connection and Use of System Code, the Balancing and Settlement Code and the Grid Code in respect of the West of Duddon Sands offshore wind farm.

The company is jointly owned and managed by ScottishPower Renewables (WODS) Limited ("SPWODS") and Orsted West of Duddon Sands (UK) Limited ("OWODS").

The company holds the generation licence for the West of Duddon Sands offshore wind farm.

Financial instruments

The company's activities are exposed to a variety of financial risks: credit risk and liquidity risk. Further information on financial risk management is in note 15 "Financial risk management and impairment of financial assets".

Result for the year

The company's net result for the current financial year was £nil (2020: £nil).

Future developments

The company will continue its services to West of Duddon Sands offshore wind farm.

Climate change

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

Morecambe Wind Limited

Directors' Report for the Year Ended 31 December 2021

COVID-19

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

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

Political donations

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

Going concern

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

The company's ultimate parent companies are Iberdrola S.A. and Orsted A/S. The company recovers all costs from its owners. The company's cash flow requirements are met by its parent companies. The directors have considered the company's funding relationship with its owners and have a reasonable expectation that the company will be able to continue in operational existence for at least 12 months from the date the financial statements are approved and the preparation of the financial statements on a going concern basis is appropriate.

Directors' liabilities

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

Streamlined Energy and Carbon Reporting

The energy consumed in the daily operations of the company is mainly produced by the wind farm itself resulting in no significant emissions. Any additional electricity or gas consumption purchased from other sources are not significant and below 40,000 kWh annually.

Morecambe Wind Limited

Directors' Report for the Year Ended 31 December 2021

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

Directors' confirmations

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

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

Reappointment of auditors

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

Approved by the Board and signed on its behalf by:



.....
Hugh Alistair Yendole
Director

Jun 29, 2022

Date:

Independent auditors' report to the members of Morecambe Wind Limited

Report on the audit of the financial statements

Opinion

In our opinion, Morecambe Wind Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Morecambe Wind Limited

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulation of the renewable energy industry in the UK including those associated with health and safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in the assessment of accounting estimates. Audit procedures performed by the engagement team included:

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

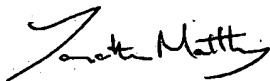
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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



Jonathan Matthews (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

30 June 2022

Morecambe Wind Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Revenue	4	30,632,529	28,495,782
Cost of sales		<u>(30,611,311)</u>	<u>(28,476,558)</u>
Gross profit		21,218	19,224
Administrative expenses		(21,161)	(24,149)
Other operating income		<u>-</u>	<u>447</u>
Operating profit/(loss)		<u>57</u>	<u>(4,478)</u>
Finance income	5	148	4,688
Finance costs	5	<u>(205)</u>	<u>(210)</u>
Net finance (costs)/income	5	<u>(57)</u>	<u>4,478</u>
Result before tax		<u>-</u>	<u>-</u>
Result and total comprehensive income for the year		<u><u>-</u></u>	<u><u>-</u></u>

The above results were derived from continuing operations.

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

The notes on pages 13 to 28 form an integral part of these financial statements.


Morecambe Wind Limited

(Registration number: 05294242)

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
Assets			
Non-current assets			
Other non-current receivables	9	181,361	181,361
Current assets			
Trade and other receivables	10	35,960	458,238
Cash and cash equivalents	11	<u>2,514,087</u>	<u>2,377,939</u>
		<u>2,550,047</u>	<u>2,836,177</u>
Total assets		<u><u>2,731,408</u></u>	<u><u>3,017,538</u></u>
Equity and liabilities			
Equity			
Share capital	12	<u>(6)</u>	<u>(6)</u>
Total equity		(6)	(6)
Current liabilities			
Trade and other payables	13	<u>(2,731,402)</u>	<u>(3,017,532)</u>
Total equity and liabilities		<u><u>(2,731,408)</u></u>	<u><u>(3,017,538)</u></u>

The financial statements on pages 9 to 28 were approved by the Board of directors and signed on its behalf by:



.....
Hugh Alistair Yendole
Director

Jun 29, 2022
Date:

Morecambe Wind Limited

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

	Share capital £	Total equity £
At 1 January 2021	6	6
Result for the year	-	-
Total comprehensive income	-	-
At 31 December 2021	6	6

	Share capital £	Total equity £
At 1 January 2020	6	6
Result for the year	-	-
Total comprehensive income	-	-
At 31 December 2020	6	6

Morecambe Wind Limited

Statement of Cash Flows for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Result before tax for the year		-	-
<i>Adjustments to cash flows from non-cash items</i>			
Finance income	5	(148)	(4,688)
Finance costs	5	205	210
		57	(4,478)
Working capital adjustments			
Decrease/(increase) in trade and other receivables	10	422,278	(228,029)
Decrease in trade and other payables	13	(286,130)	(1,166,715)
Net cash flow from/(used in) operating activities		136,205	(1,399,222)
Cash flows from investing activities			
Interest received	5	148	4,688
Cash flows from financing activities			
Interest paid	5	(205)	(210)
Net increase/(decrease) in cash and cash equivalents		136,148	(1,394,744)
Cash and cash equivalents at 1 January		2,377,939	3,772,683
Cash and cash equivalents at 31 December		2,514,087	2,377,939

The notes on pages 13 to 28 form an integral part of these financial statements.

Morecambe Wind Limited

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

1 General information

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

The address of its registered office is:

5 Howick Place

London

England

SW1P 1WG

United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and under historical cost accounting convention, as modified by the revaluation of derivative financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

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

Going concern

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

The company's ultimate parent companies are Iberdrola S.A. and Orsted A/S. The company recovers all costs from its owners. The company's cash flow requirements are met by its parent companies. The directors have considered the company's funding relationship with its owners and have a reasonable expectation that the company will be able to continue in operational existence for at least 12 months from the date the financial statements are approved and the preparation of the financial statements on a going concern basis is appropriate.

Morecambe Wind Limited

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

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

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

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

- 'Leases' - Covid-19 related rent concessions - amendments to IFRS 16; and
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

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

New standards and interpretations not yet adopted

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

Revenue recognition

Recognition

The company earns revenue from recharge of grid transmission costs to the joint owners of West of Duddon Sands Offshore wind farm. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

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

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

Fee arrangements

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

Morecambe Wind Limited

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

2 Accounting policies (continued)

Performance obligation

The main performance obligations to customers consist of holding a Transmission Licence and bearing the cost of using national grid asset network.

Transaction price

The transaction price is determined by the fee specified in the Connection and Use of System Code.

Contract assets and receivables

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

Contract receivables (loans and advances) are recognised in the statement of financial position when the company's right to consideration becomes unconditional. Shareholders of the West of Duddon Sands offshore wind farm use the grid to transport the power produced from the West of Duddon Sands offshore wind farm and pay the company on a monthly basis to cover the cost for using the national grid asset network and other related costs.

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

Contract liabilities

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

Net basis of measurement of contract balances

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

Morecambe Wind Limited

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

2 Accounting policies (continued)

Impairment of contract related balances

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

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

Tax

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

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the reporting date in the countries where the company operates and generates taxable income.

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

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Trade receivables

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Morecambe Wind Limited

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

2 Accounting policies (continued)

Other receivables

Other receivables are amounts due from various business partners for non trade transactions during the ordinary course of business. If the receivables collection is expected in one year or less, they are classified as current assets, otherwise they are presented as non-current assets.

Share capital

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

Trade payables

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

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

Financial assets and liabilities

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

Financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through statement of comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of comprehensive income are expensed in profit or loss.

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

Morecambe Wind Limited

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

2 Accounting policies (continued)

Impairment

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

- trade receivables; and
- contract assets

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

Trade receivables and contract assets

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

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

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

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

Financial liabilities

The company classifies its financial liabilities in the following categories:

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

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

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

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

Morecambe Wind Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the company's accounting policies, management has made no significant judgements or estimates.

4 Revenue

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

	2021 £	2020 £
Recharge of grid transmission costs	28,346,616	25,147,548
Other revenue	<u>2,285,913</u>	<u>3,348,234</u>
	<u>30,632,529</u>	<u>28,495,782</u>

Revenue relates to recharge of grid transmission costs to joint owners of West of Duddon Sands offshore wind farm, supply of ancillary services and Bid offer acceptance ("BOA") compensation.

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

Timing of revenue recognition from customers :

	2021 £	2020 £
Over time	30,632,529	28,495,782

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

- 'Over time' mainly comprises the recharge of grid transmission costs.

Morecambe Wind Limited

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

5 Net finance (costs)/income

	2021 £	2020 £
Finance income		
Interest income on bank deposits	148	4,688
Finance costs		
Interest on bank overdrafts and borrowings	<u>(205)</u>	<u>(210)</u>
Net finance (costs)/income	<u>(57)</u>	<u>4,478</u>

6 Employees and directors

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

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

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

7 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	<u>3,000</u>	<u>2,500</u>

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

8 Income tax

No tax is recognised on the result in the Statement of Comprehensive Income during the year (2020: £nil) and no tax payable or receivable is recognised in the Statement of Financial Position at 31 December 2021 (2020: £nil).

Morecambe Wind Limited

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

9 Other non-current receivables

	31 December 2021 £	31 December 2020 £
Other non-current receivables	<u>181,361</u>	<u>181,361</u>

The non-current receivable is a credit guarantee deposit held by two of the company's vendors. The expected maturity date of the deposit is above 5 years from the balance sheet date.

10 Trade and other receivables

	31 December 2021 £	31 December 2020 £
Trade receivables	6,260	-
Prepayments	-	1
Other receivables	29,700	29,699
Social security and other taxes	-	428,538
	<u>35,960</u>	<u>458,238</u>

The company's exposure to credit risk, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 15 "Financial risk management and impairment of financial assets".

11 Cash and cash equivalents

	31 December 2021 £	31 December 2020 £
Cash at bank	<u>2,514,087</u>	<u>2,377,939</u>

The company's cash at bank is classified as financial asset at amortised costs.

Morecambe Wind Limited

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

12 Share capital

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding-up) rights. They do not confer any rights of redemption.

13 Trade and other payables

	31 December 2021	31 December 2020
	£	£
Trade payables	3,798	391,632
Accrued expenses	1,506,513	737,634
Amounts due to related parties	1,174,896	1,885,766
Social security and other taxes	43,195	-
Other payables	<u>3,000</u>	<u>2,500</u>
	<u><u>2,731,402</u></u>	<u><u>3,017,532</u></u>

Accrued expenses relate to the Balancing Services Use of System (BSUoS) charge accruals for December 2021.

Amounts due to related parties is deferred income.

The company's exposure to credit and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 15 "Financial risk management and impairment of financial assets".

Morecambe Wind Limited

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

14 Classification of financial and non-financial assets and financial and non-financial liabilities

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December was as follows:

	Carrying amount		Fair value	
	2021	2020	2021	2020
	£	£	£	£
Financial assets at amortised cost				
Other non-current receivable	181,361	181,361	181,361	181,361
Trade receivables	6,260	-	6,260	-
Other receivables	29,700	29,699	29,700	29,699
Cash and short-term deposits	2,514,087	2,377,939	2,514,087	2,377,939
Financial liabilities at amortised cost				
Trade payables	(3,798)	(391,632)	(3,798)	(391,632)
Accrued expenses	(1,506,513)	(737,634)	(1,506,513)	(737,634)
Other payables	(3,000)	(2,500)	(3,000)	(2,500)

Other non-current receivable

The other non-current receivable is a credit guarantee deposit held by two of the company's vendors. The expected maturity date of the deposit is above 5 years from the balance sheet date.

Trade receivables

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as fair value.

Trade receivables are interest free, unsecured and are usually received within 30 days of recognition.

Other receivables

Due to the short-term nature of other receivables, their carrying amount is considered to be the same as fair value.

Cash and short-term deposits

Cash and cash equivalents are unsecured with a short credit period and are therefore considered to have a fair value equal to the carrying amount. They are classified at level 2 in the fair value hierarchy.

Trade payables

Trade payables are unsecured, interest free and are usually paid within 30 days of recognition. Due to the short-term nature of trade payables, their carrying amount is considered to be the same as fair value.

Morecambe Wind Limited

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

14 Classification of financial and non-financial assets and financial and non-financial liabilities (continued)

Accrued expenses

Due to the short-term nature of accrued expenses, their carrying amount is considered to be the same as fair value.

Other payables

The fair value of other payables is considered to be the same as the carrying amount due to its short-term nature.

15 Financial risk management and impairment of financial assets

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

Credit risk and

Liquidity risk

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the company's continuing profitability.

The company's senior management over the management of these risks. Management reviews and agrees policies for managing each of these risks, which are summarised below.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

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

1. Credit Risk

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

Morecambe Wind Limited

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

15 Financial risk management and impairment of financial assets (continued)

2. Liquidity risk

The company generates sufficient positive cash flows to service its liabilities and planned development. Surplus cash is declared as dividend. Capital management is carried out to ensure low risk. Management monitors funding and liquidity and ensures the availability of required liquidity through cash management and committed facilities. The company's liquidity risk is primarily related to intercompany debt. It is the company's policy to ensure adequate liquidity to satisfy their obligations to the group companies.

Maturity analysis

31 December 2021

A maturity analysis of the interest bearing debt and short-term debt based on undiscounted gross cash flow is reported in the table below:

	Trade and other payables	Accrued expenses	Total
	£	£	£
Between 1 and three months	6,798	1,506,513	1,513,311
Within 6 months	-	-	-
Between 6 months and 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
After more than 5 years	-	-	-
	<u>6,798</u>	<u>1,506,513</u>	<u>1,513,311</u>

Morecambe Wind Limited

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

15 Financial risk management and impairment of financial assets (continued)

31 December 2020

A maturity analysis of the interest bearing debt and short-term debt based on undiscounted gross cash flow is reported in the table below:

	Trade and other payables	Accrued expenses	Total
	£	£	£
Between 1 and three months	394,132	737,634	1,131,766
Within 6 months	-	-	-
Between 6 months and 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
After more than 5 years	-	-	-
	<u>394,132</u>	<u>737,634</u>	<u>1,131,766</u>

Capital components

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

Capital management

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

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

Company's equity at 31 December 2021 amounted to £6 (2020: £6).

Morecambe Wind Limited

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

16 Related party transactions

	Immediate parent company (SPWODS) 2021 £	Immediate parent company (OWODS) 2021 £	Other Orsted Group companies 2021 £
Transactions			
Sales and rendering of services	14,173,308	14,173,308	-
Balance outstanding at balance sheet date			
Trade and other payables	586,198	586,198	2,500

	Immediate parent company (SPWODS) 2020 £	Immediate parent company (OWODS) 2020 £
Transactions		
Sales and rendering of services	12,573,774	12,573,774
Balance outstanding at balance sheet date		
Trade and other payables	942,883	942,883

Morecambe Wind Limited

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

17 Parent and ultimate parent undertaking

The company's immediate parent companies are Orsted West of Duddon Sands (UK) Limited (50%) and ScottishPower Renewables (WODS) Limited (50%).

The company's ultimate parent companies are Orsted A/S, a company incorporated and registered in Denmark and Iberdrola S.A, a company incorporated and registered in Spain. The Danish State currently holds 50.1% of the share capital of Orsted A/S and therefore the company considers the Danish Ministry of Finance the ultimate controlling party.

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

The consolidated financial statements are available to the public from:

Orsted A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia
Denmark

Iberdrola S.A.
Torre Iberdrola,
Plaza Euskadi 5
48009 Bilbao
Spain