

Registration number: 08584182

Orsted Hornsea Project Four Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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Orsted Hornsea Project Four Limited

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Orsted Hornsea Project Four Limited

Company Information

Directors	Luke Daniel Bridgman Natasha Sarah Litten John Ambrose Galloway
Registered office	5 Howick Place London England SW1P 1WG United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London England WC2N 6RH United Kingdom

Orsted Hornsea Project Four Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Incorporation

The company was incorporated in on 25 June 2013 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 2022, the company was owned by Orsted Power (UK) Limited (100%).

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

Directors of the company

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

Gabriel Davies (ceased 20 April 2022)

Craig Andrew Harwood (ceased 20 April 2022)

Kushal Saujani (ceased 20 January 2023)

Luke Daniel Bridgman (appointed 20 April 2022)

Natasha Sarah Litten (appointed 20 April 2022)

The following director was appointed after the year end:

John Ambrose Galloway (appointed 20 January 2023)

Principal activities

The principal activity of the company is to develop a wind farm in the Hornsea zone.

Financial instruments

The company's activities are exposed to a variety of financial risks; market risk, credit risk and liquidity risk. Further information on financial risk management is in note 13 Financial risk management and impairment of financial assets.

Result for the year

The company's net result for the current financial year was a loss of £817,970 (2021: loss £712,403) moved to retained earnings.

Dividend

During the year no dividend was paid (2021: £-). The directors do not recommend a payment of a final dividend (2021: £-).

Future developments

The company is expected to keep developing the 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.

Orsted Hornsea Project Four Limited

Directors' Report for the Year Ended 31 December 2022

Political donations

During the year the company made no political donations and no individual donations to UK or non-UK political parties (2021: £-).

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 will continue to develop windfarm in the Hornsea region with the support received from group.

Directors' liabilities

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

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable the 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:

- as 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.

Orsted Hornsea Project Four Limited

Directors' Report for the Year Ended 31 December 2022

Reappointment of independent auditors

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

Approved by the Board and signed on its behalf by:



.....
Luke Daniel Bridgman
Director

Jun 29, 2023
Date

Independent auditors' report to the members of Orsted Hornsea Project Four Limited

Report on the audit of the financial statements

Opinion

In our opinion, Orsted Hornsea Project Four Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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, which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows 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.

Orsted Hornsea Project Four Limited

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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 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

Orsted Hornsea Project Four Limited

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

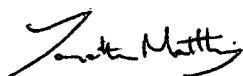
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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
29 June 2023

Orsted Hornsea Project Four Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Cost of sales		<u>(41,736)</u>	<u>(41,736)</u>
Gross loss		(41,736)	(41,736)
Administrative expenses		<u>(892,267)</u>	<u>(669,726)</u>
Operating loss		<u>(934,003)</u>	<u>(711,462)</u>
Finance income	4	139,940	1,016
Finance costs	4	<u>(2,120)</u>	<u>(5,058)</u>
Net finance income/(costs)	4	<u>137,820</u>	<u>(4,042)</u>
Loss before tax		(796,183)	(715,504)
Income tax (expense)/credit	7	<u>(21,787)</u>	<u>3,101</u>
Loss for the financial year		<u>(817,970)</u>	<u>(712,403)</u>
Total comprehensive expense for the financial year		<u>(817,970)</u>	<u>(712,403)</u>

The above results were derived from continuing operations.

There were no other comprehensive income or expenses (2021: £-) during the year.

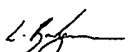
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(Registration number: 08584182)

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £	31 December 2021 £
Assets			
Non-current assets			
Property, plant and equipment	8	57,092,830	57,134,566
Current assets			
Trade and other receivables	9	10,432,345	12,166,746
Total assets		<u>67,525,175</u>	<u>69,301,312</u>
Equity and liabilities			
Equity			
Share capital	10	(1,001,100)	(1,001,100)
Share premium		(69,086,000)	(69,086,000)
Accumulated losses		2,594,793	1,776,823
Total equity		<u>(67,492,307)</u>	<u>(68,310,277)</u>
Current liabilities			
Trade and other payables	11	(7,450)	(990,505)
Income tax liability		(25,418)	(530)
		<u>(32,868)</u>	<u>(991,035)</u>
Total equity and liabilities		<u>(67,525,175)</u>	<u>(69,301,312)</u>

The financial statements on pages 8 to 26 were approved by the Board of directors and signed on its behalf by:



 Luke Daniel Bridgman
 Director

Jun 29, 2023
 Date

Orsted Hornsea Project Four Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £	Share premium £	Accumulated losses £	Total £
At 1 January 2022	1,001,100	69,086,000	(1,776,823)	68,310,277
Loss for the financial year and total comprehensive expense	-	-	(817,970)	(817,970)
At 31 December 2022	<u>1,001,100</u>	<u>69,086,000</u>	<u>(2,594,793)</u>	<u>67,492,307</u>

	Share capital £	Share premium £	Accumulated losses £	Total £
At 1 January 2021	100	-	(1,064,420)	(1,064,320)
Loss for the financial year and total comprehensive expense	-	-	(712,403)	(712,403)
New share capital issued	<u>1,001,000</u>	<u>69,086,000</u>	-	<u>70,087,000</u>
At 31 December 2021	<u>1,001,100</u>	<u>69,086,000</u>	<u>(1,776,823)</u>	<u>68,310,277</u>

The notes on pages 12 to 26 form an integral part of these financial statements.
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Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Loss before tax for the year		(796,183)	(715,504)
<i>Adjustments to cash flows from non-cash items</i>			
Depreciation		41,736	41,736
Finance income	4	(139,940)	(1,016)
Finance costs	4	<u>2,120</u>	<u>5,058</u>
		(892,267)	(669,726)
Working capital adjustments			
Decrease/(increase) in trade and other receivables	9	1,734,401	(12,166,177)
Decrease in trade and other payables	11	<u>(983,055)</u>	<u>(254,880)</u>
Cash generated used in operations		(140,921)	(13,090,783)
Income taxes received	7	<u>3,101</u>	<u>3,631</u>
Net cash flow used in operating activities		<u>(137,820)</u>	<u>(13,087,152)</u>
Cash flows from investing activities			
Interest received	4	139,940	1,016
Acquisitions of property plant and equipment		<u>-</u>	<u>(56,995,806)</u>
Net cash flows generated by /(used in) investing activities		<u>139,940</u>	<u>(56,994,790)</u>
Cash flows from financing activities			
Interest paid	4	(2,120)	(5,058)
Proceeds from issue of ordinary shares, net of issue costs		<u>-</u>	<u>70,087,000</u>
Net cash flows (used in)/generated by financing activities		<u>(2,120)</u>	<u>70,081,942</u>
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 12 to 26 form an integral part of these financial statements.
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Notes to the Financial Statements for the Year Ended 31 December 2022

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, under the historical cost 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 will continue to develop windfarm in the Hornsea region with the support received from group.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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 2022, we have implemented the following new or amended standards (IAS and IFRS) and interpretations:

- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 37 Onerous Contracts- Cost of Fulfilling a Contract

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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.

Finance income and costs

Finance income comprises interest income which is recognised on the basis of the effective interest method.

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

Tax

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

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 balance sheet date in the countries where the company operates and generates taxable income.

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

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

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

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

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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

Property, plant and equipment

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

Borrowing costs relating to both specific and general borrowing directly attributable to qualifying assets under construction with a lengthy construction period are recognised in cost during the construction period. Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the company from the expenses incurred. Replaced parts are derecognised from the balance sheet, and their carrying amount is recognised in profit (loss) for the year. All other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Assets under construction (AUC)	Not depreciated
Right of use asset	Straight line method over 99 years

Receivables from group undertakings relating to cash pooling

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

Share capital

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

Dividends

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

Interim dividends are recognised when paid.

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Trade payables

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

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

Foreign currency transactions and balances

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

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

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

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

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

Impairment

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

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

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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 assets have been grouped based on shared credit risk characteristics and the days past due. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

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

Debt investments

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

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

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

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

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 amortized cost.

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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 amortized 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. Interest bearing borrowings of a short-term nature 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.

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 the following judgments, which have the most significant effect on the amounts recognised in the financial statements.

4 Net finance costs

	2022 £	2021 £
Finance income		
Interest on loans to group undertakings	139,937	1,014
Foreign exchange gains	<u>3</u>	<u>2</u>
Total finance income	<u>139,940</u>	<u>1,016</u>
Finance costs		
Interest on bank overdrafts and borrowings	(97)	(98)
Interest on loans from group undertakings	<u>(2,023)</u>	<u>(4,960)</u>
Total finance costs	<u>(2,120)</u>	<u>(5,058)</u>
Net finance income/(costs)	<u>137,820</u>	<u>(4,042)</u>

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

5 Employees and directors

There were no (2021: nil) employees during the year. The directors received no (2021: £nil) emoluments during the year, in respect of their qualifying services to the company.

The directors appointed by the Ørsted group are remunerated by other companies within the Ørsted group for their services to the group as a whole. It is not possible to allocate their remuneration for their services to the company.

6 Auditors' remuneration

	2022 £	2021 £
Audit of the financial statements	<u>3,150</u>	<u>3,000</u>

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

7 Income tax

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

	2022 £	2021 £
Current taxation		
UK corporation tax	26,186	-
UK corporation tax adjustment to prior years	<u>(4,399)</u>	<u>(3,101)</u>
	<u>21,787</u>	<u>(3,101)</u>

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

7 Income tax (continued)

The tax on loss for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Loss before tax	<u>(796,183)</u>	<u>(715,504)</u>
Corporation tax at standard rate	(151,275)	(135,946)
Unrecognised tax losses carried forward	176,911	32,071
Adjustments in respect of prior years	(4,399)	(3,101)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	<u>550</u>	<u>103,875</u>
Total tax charge/(credit)	<u>21,787</u>	<u>(3,101)</u>

Factors that might affect future tax charges:

The main rate of UK corporation tax in the year was 19% and will increase to 25% from 1 April 2023.

The company has surplus tax losses of £1,802,933 at 31 December 2022 (2021: £834,128). No deferred tax asset has been recognised in relation to these losses.

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

8 Property, plant and equipment

	Right of use asset £	Assets under construction £	Total £
Cost			
At 1 January 2021	-	180,496	180,496
Additions	4,131,823	52,863,983	56,995,806
At 31 December 2021	4,131,823	53,044,479	57,176,302
At 1 January 2022	4,131,823	53,044,479	57,176,302
At 31 December 2022	4,131,823	53,044,479	57,176,302
Accumulated depreciation			
At 1 January 2021	-	-	-
Charge for year	41,736	-	41,736
At 31 December 2021	41,736	-	41,736
At 1 January 2022	41,736	-	41,736
Charge for the year	41,736	-	41,736
At 31 December 2022	83,472	-	83,472
Carrying amount			
At 31 December 2022	4,048,351	53,044,479	57,092,830
At 31 December 2021	4,090,087	53,044,479	57,134,566

The depreciation charge for the year of £41,736 (2021 - £41,736) and other movements on the depreciation of £- (2021: £-) are included in cost of sales.

Right of use assets relate to fee paid for option for right of use of land. The option has 6 years expiring period (2021: 7 years) and has not been exercised yet.

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

9 Trade and other receivables

	31 December 2022	31 December 2021
	£	£
Current		
Receivables from related parties	10,432,305	12,104,820
Other receivables	40	61,926
	<u>10,432,345</u>	<u>12,166,746</u>

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 13 "Financial risk management and impairment of financial assets".

10 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Share capital of £1 each	1,001,100	1,001,100	1,001,100	1,001,100

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.

11 Trade and other payables

	31 December 2022	31 December 2021
	£	£
Trade payables	-	3,878
Amounts due to related parties	4,300	983,627
Other payables	<u>3,150</u>	<u>3,000</u>
	<u>7,450</u>	<u>990,505</u>

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Trade and other payables (continued)

The company's exposure to market and liquidity risks, including maturity analysis, relating to trade and other payables is disclosed in note 13 "Financial risk management and impairment of financial assets".

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

The classification of financial assets and financial liabilities by accounting categorisation as at December 31 was as follows:

	Carrying amount		Fair value	
	2022	2021	2022	2021
	£	£	£	£
Financial assets at amortized cost				
Receivables from related parties	10,432,305	12,104,820	10,432,305	12,104,820
Financial liabilities at amortized cost				
Trade payables	-	(3,878)	-	(3,878)
Amounts due to related parties	(4,300)	(983,627)	(4,300)	(983,627)
Other payables	(3,150)	(3,000)	(3,150)	(3,000)

Receivables from related parties

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

Receivables from related parties are unsecured, have an interest rate of SONIA O/N plus 0.05% (2021: SONIA O/N plus 0.05%), have no fixed date of repayment and are repayable on demand.

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.

Amounts due to related parties

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

Amounts due to related parties are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

Other payables

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

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Financial risk management and impairment of financial assets

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

Market risk
Credit risk and
Liquidity risk

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. 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. Market Risk

Market risk includes interest risk and foreign exchange risk.

Interest rate risk

Receivables from related parties, which consist of the cash pool arrangement are subject to variable interest rates which are currently SONIA O/N plus 0.05% (2021: SONIA O/N plus 0.05%). The carrying amounts of recognized financial assets or liabilities will not change significantly subject to changes in interest rate levels.

Foreign currency risk

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

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Credit risk

Credit risk arises primarily from credit exposures to customers, from cash and cash equivalents with banks and financial institutions and receivables from parent and other group companies. Most of the business is based on 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.

3. Liquidity risk

The company is supported by the group to construct the windfarm. 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. It is the company's policy to ensure adequate liquidity to satisfy their obligations to the group companies.

Maturity analysis

31 December 2022

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

	Amounts due to related parties	Trade and other payables	Total
	£	£	£
Between 1 and three months	4,300	3,150	7,450
	<u>4,300</u>	<u>3,150</u>	<u>7,450</u>

The above maturity analysis is based on the maximum amount that could be repaid subject to the availability of cash in the company.

31 December 2021

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

	Amounts due to related parties	Trade and other payables	Total
	£	£	£
Between 1 and three months	983,627	6,878	990,505
	<u>983,627</u>	<u>6,878</u>	<u>990,505</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.

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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

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 shareholders 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 on-going basis.

Company's equity at 31 December 2022 amounted to £67,492,307 (2021: £68,310,277).

14 Related party transactions

	Parent company Orsted Power (UK) Ltd 2022 £	Other Orsted Group companies 2022 £
Transactions		
Finance income	-	139,940
Finance expense	-	2,023
Balance outstanding at balance sheet date		
Trade and other receivables	-	10,428,674
Trade and other payables	3,000	1,300
	Parent company Orsted Power (UK) Ltd 2021 £	Other Orsted Group companies 2021 £
Transactions		
Finance income	-	1,016
Finance expense	-	4,960
Balance outstanding at balance sheet date		
Trade and other receivables	184	12,101,189
Trade and other payables	983,323	304

Orsted Hornsea Project Four Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Parent and ultimate parent undertaking

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

The ultimate parent company is Ørsted A/S, incorporated in Denmark. The Danish State currently holds 50.1% of the share capital of Ørsted A/S (2021: 50.1%) 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 Ørsted A/S.

Copies of the Orsted A/S consolidated financial statements may be obtained from the Company Secretary at:

Orsted A/S
Kraftværksvej 53
Skærbæk, 7000 Fredericia
Denmark.