

Company number: 08921584

WMR JV Investco Limited

Report and Financial Statements For the year ended 31 March 2022



WMR JV Investco Limited

Company Information

Board of Directors	Tony Lyon Jonathan Brazier Duffy Julian Norman Thomas Skinner Adam Karl Delaney
Company secretary	IQ EQ Corporate Services (UK) Limited
Company number	08921584
Registered office	4 th Floor, 3 More London Riverside London SE1 2AQ
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London United Kingdom WC2N 6RH

WMR JV Investco Limited

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WMR JV Investco Limited

Strategic report For the year ended 31 March 2022

The Directors present their strategic report for the year ended 31 March 2022.

Principal activities and review of business

The principal activity of WMR JV Investco Limited the ("Company") is the generation of electricity in the UK through the use of offshore wind technology from its site, situated 8 km from the Holderness coast, approximately 25 km north of Spurn Head at the river Humber estuary, north of Hull. The site comprises of 35 turbines, giving total installed capacity of 210 MW.

During the year, the Company continued electricity generation from its offshore site. Commercial generation is expected to continue for the foreseeable future.

Key performance indicators (KPIs)

The key financial indicators during the year were as follows:

	31 March 2022 £	31 March 2021 £	Variance %
Revenue	70,363,807	62,805,566	12%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	49,737,221	43,692,462	14%
Net profit from continuing operations	8,144,826	6,965,391	17%
Total assets	362,920,870	374,959,085	-3%
Net assets / (liabilities)	682,138	(15,509,794)	-104%

Non financial key performance indicators (KPIs)

The Company's key non-financial performance indicators are wind farm availability and level of safety and environmental cases. The level of availability is achieved by the Company monitoring the effectiveness and efficiency of the wind farm on a regular basis. The level of safety and environmental cases are reviewed by the management on regular basis. For the current and prior year, the non-financial KPIs were broadly in-line with management's expectations.

Results and dividends

The Company's profit for the year, after taxation, amounted to £8,144,826 (2021: £6,965,391). The Company has declared interim dividends of £11,400,000 during the year (2021: £20,200,000). These funds were distributed to the shareholder, WMR JV Holdco Limited, being the immediate parent undertaking.

Principal risks and uncertainties

Business risk

The Company is exposed to potential variations in its revenue streams as a result of fluctuations in the market price of wholesale electricity, a factor to which the selling price of the generated electricity is linked. To mitigate this risk, the sale of the electricity is arranged through a power purchase agreement, under which the Company is guaranteed a minimum selling price (the "floor"), in exchange for agreeing to a maximum selling price (the "cap").

Interest rate risk

The Company is exposed to interest rate from the possibility that changes in interest rates will affect future cash flows. The Directors consider the management of risk to be an important part of their function, and have put in place various strategies for the Company, with the aim of limiting exposure to the above risks. These strategies include the use of hedging and the use of financial instruments to fix interest rates and forecast foreign exchange requirements as they arise.

WMR JV Investco Limited

Strategic report (continued) For the year ended 31 March 2022

Principal risks and uncertainties (continued)

Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when expenses are denominated in foreign currencies). The net exposure of each currency is monitored and managed by the central treasury function through a mandate from the Board of directors. However, the Company deems the risk of foreign exchange transactions risk as insignificant and no other active management of this risk is undertaken. The historical trend of the currencies that the Company transacts in has been assessed as stable.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company. It arises from cash and cash equivalents, derivative financial instruments and principally from credit exposures to customers relating to outstanding receivables. Company policies are aimed at minimising credit risk. These policies have proved effective in minimising the level of impaired and past due receivables.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. This risk is managed by the ultimate shareholders on the Company's behalf and as such the entity has access to the resources of the shareholders. The Directors have assessed the cash position of WMR JV Investco Limited are confident that it has sufficient funds to pay off its financial liabilities that is presented in Note 27.

Hedge accounting policy

The Company's interest-bearing loans and borrowings is designated as hedged item and the interest rate swaps is designated as hedging instrument. Both are still qualified as eligible for the purpose of hedge accounting under IFRS 9. The hedged item creates an exposure to pay three-month Sonia (or any alternative replacement rate) on the notional amount. The interest rate swap on the same notional creates an equal and opposite interest receipt and a fixed interest payment, therefore creating interest payment, therefore resulting in a net fixed interest payable.

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

For a hedged forecast transaction that subsequently results in the recognition of a non-financial asset or liability, the Company has elected to remove the associated gains and losses that were recognised in other comprehensive income (OCI) and include them in the initial cost or other carrying amount of the asset or liability as a basis adjustment.

Health, Safety and Environment

Non-compliance with statutory Health, Safety and Environment (HSE) obligations is also a principal risk. The Company operates a comprehensive HSE management system, and actively monitors its performance in order to identify and implement improvements.

WMR JV Investco Limited

Strategic report (continued) For the year ended 31 March 2022

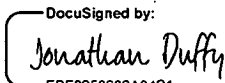
Reporting

External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the Company's reputation.

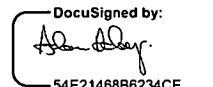
Section 172(1) Statement

The Directors continue to act in ways that have regard to the matters set out in section 172(1) (a) to (f) of Companies Act 2006 when performing their duties. The purpose, culture and values that the board have established have been geared towards applying the matters outlined in section 172(1). The main role of the board of the Company is to make strategic decisions. The board applies section 172(1) in its strategic decision making by acting in good faith and by considering how their decisions will promote the success of the Company for the benefit of its members as a whole. In particular, the long term plan of the windfarm that produces the green power that the Company purchases and sells is established at the outset of the contract with the windfarm. The Directors review this long term plan on an ongoing basis and, to date, no decisions have been made to change the long term plan. The Directors ensure that the windfarm continues to act as a reliable operations service provider to foster customer relationships and to maintain its reputation as a reputable service provider to operate wind farms. The Directors continuously consider the impact on all shareholders by complying and reviewing its operations reports, wind farm production numbers and safety site reports, and ensures no preference is given to any shareholder.

This report was approved by the Board on 24 March 2023 and signed on its behalf by:

DocuSigned by:

Jonathan Duffy
Director

Date: 24 March 2023

DocuSigned by:

Adam Karl Delaney
Director

Date: 24 March 2023

WMR JV Investco Limited

Directors' report For the year ended 31 March 2022

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

Principal activities and review of business

The principal activity of WMR JV Investco Limited the ("Company") is to develop, build and operate an offshore wind farm situated 8km from the Holderness coast, north of Spurn Head at the river Humber estuary.

Engagement with employees

The Company has no employees, therefore the Directors have appointed service providers that do engage with its employees on a going and ethical way.

Engagement with suppliers, customer and others in a business relationship with the Company

The Company fosters relationships through the selection of reliable operations service providers which ensures their customers are supplied with uninterrupted supply of clean energy.

Streamlined Energy and Carbon Reporting (SECR)

The Company is considered to be a 'low energy user' as its energy use is less than 40,000 kWh annually, therefore the Company is exempt from SECR requirements.

Board of Directors

The Directors, who served during the year, and up to the date of signing of this report, were as follows unless otherwise stated:

	<u>Appointed</u>	<u>Resigned</u>
Jonathan Brazier Duffy	28 May 2019	-
Julian Norman Thomas Skinner	28 May 2019	-
Adam Karl Delaney	28 November 2019	-
Tony Lyon	16 August 2020	-

Directors' indemnity

The Company indemnifies the Directors in its Articles of Association to the extent allowed under Section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the Company's Directors remain in force during the financial year and also at the date of the approval of the financial statements.

Political and charitable contributions

The Company made no disclosable or charitable donations or incurred any disclosable political expenditure during the year.

Future developments

Commercial generation is expected to continue until the end of the expected economic life of the wind farm, when the assets will be decommissioned.

Dividends

During the year, interim dividends amounting to £11,400,000 were declared and paid by the Company.

Post balance sheet events

In April 2022 and December 2022, special resolutions were approved for the declaration of interim dividends of £5,000,000 and £5,000,000, respectively. These funds were distributed to the shareholder, WMR JV Holdco Limited, being the immediate parent undertaking.

WMR JV Investco Limited

Directors' report (continued) For the year ended 31 March 2022

Going concern

The Directors are satisfied that the Group and Company is in a solvent and liquid position and that it is appropriate to prepare the Group's consolidated financial statements and Company's financial statements on a going concern basis.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, will continue in office in accordance with section 485 of the Companies Act 2006

Risk Management

The Board convenes periodically asset management meetings to review the risks. The financial risk applicable to the Company and the mitigating factors is also disclosed in note 27.

Directors' confirmations

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

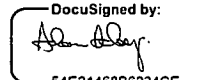
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's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

This report was approved by the Board on 24 March 2023 and signed on its behalf by:

DocuSigned by:

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Jonathan Duffy
Director

Date: 24 March 2023

DocuSigned by:

54E21468B6234CE...
Adam Karl Delaney
Director

Date: 24 March 2023

WMR JV Investco Limited

Statement of Directors' responsibilities in respect of the financial statements

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

Directors' confirmations

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

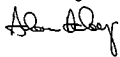
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's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

This Statement of Directors' Responsibilities was approved by the Board on 24 March 2023 and signed on its behalf by:

DocuSigned by:

EBF0250602A64B1...
Jonathan Duffy
Director

Date: 24 March 2023

DocuSigned by:

54E21468B6234CE...
Adam Karl Delaney
Director

Date: 24 March 2023

Independent auditors' report to the members of WMR JV Investco Limited

Report on the audit of the financial statements

Opinion

In our opinion, WMR JV Investco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit 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 Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2022; 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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 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 Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and local tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 and judgements. 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;
- 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.

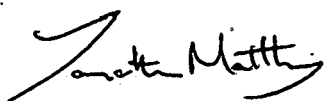
Other required reporting

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.



Jonathan Matthews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2023

WMR JV Investco Limited

Statement of comprehensive income for the year ended 31 March 2022

		For the year ended 31 March 2022	For the year ended 31 March 2021
	Note	£	£
Revenue	4	70,363,807	62,805,566
Cost of sales		(24,835,682)	(22,816,631)
Gross profit		45,528,125	39,988,935
Administrative expenses	5	(11,964,515)	(12,025,430)
Operating profit		33,563,610	27,963,505
Finance income	8	7,712	1,107
Finance expenses	7	(14,834,901)	(15,723,281)
Profit before tax from continuing operations		18,736,421	12,241,331
Income tax expense	11	(10,591,595)	(5,275,940)
Net profit from continuing operations		8,144,826	6,965,391
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Net gain on cash flow hedges	10	23,206,414	12,542,782
Deferred tax	10	(3,759,308)	(2,014,304)
Total other comprehensive income		19,447,106	10,528,478
Total comprehensive income		27,591,932	17,493,869

The net profit of £8,144,826 for the year ended 31 March 2022 (2021: £6,965,391) was derived in its entirety from continuing operations.

WMR JV Investco Limited


Statement of financial position as at 31 March 2022

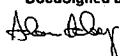
	Note	As at 31 March 2022 £	As at 31 March 2021 £
Assets			
Non-current assets			
Deferred tax assets	19	-	4,975,237
Property, plant and equipment	12	221,367,542	231,399,227
Intangible assets	14	102,120,657	106,718,957
		323,488,199	343,093,421
Current assets			
Trade and other receivables	15	25,713,967	22,696,166
Cash and cash equivalents	16	13,718,704	9,169,498
		39,432,671	31,865,664
Total assets		362,920,870	374,959,085
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	17	261,678,854	281,233,185
Other financial liabilities	20	4,863,715	26,185,456
Provision	21	11,630,255	11,085,543
Lease liabilities	22	5,288,136	5,541,465
Deferred tax liabilities	19	28,600,930	22,478,323
		312,061,890	346,523,972
Current liabilities			
Trade and other payables	18	17,234,958	16,328,044
Current tax payable	11	2,936,977	97,387
Interest bearing loans and borrowings	17	29,554,331	27,068,900
Lease liabilities	22	450,576	450,576
		50,176,842	43,944,907
Total liabilities		362,238,732	390,468,879
Equity			
Issued capital	24	10,570,848	10,570,848
Cash flow hedges reserve	25	2,988,067	(20,218,347)
Deferred tax on derivatives	25	1,215,929	4,975,237
Accumulated losses	25	(14,092,706)	(10,837,532)
Total equity		682,138	(15,509,794)
Total liabilities and equity		362,920,870	374,959,085

The financial statements on pages 11 to 44 were approved and authorised for issue by the Board of Directors on 24 March 2023 and signed on its behalf by:

WMR JV Investco Limited

Statement of financial position (continued) as at 31 March 2022

DocuSigned by:

Jonathan Duffy
Director
Date: 24 March 2023

DocuSigned by:

Adam Karl Delaney
Director
Date: 24 March 2023

WMR JV Investco Limited

Statement of changes in equity for the year ended 31 March 2022

		Issued capital	Retained earnings / (Accumulated losses)	Cash flow hedges reserve	Deferred tax on derivatives	Total equity
	Note	£	£	£	£	£
At 1 April 2020		10,570,848	2,397,077	(32,761,129)	6,989,541	(12,803,663)
Profit for the year	25	-	6,965,391	-	-	6,965,391
Other comprehensive income / (loss) for the year	25	-	-	12,542,782	(2,014,304)	10,528,478
Total comprehensive income / (loss) for the year		-	6,965,391	12,542,782	(2,014,304)	17,493,869
Dividends declared during the year	25	-	(20,200,000)	-	-	(20,200,000)
At 31 March 2021		10,570,848	(10,837,532)	(20,218,347)	4,975,237	(15,509,794)
Profit for the year	25	-	8,144,826	-	-	8,144,826
Other comprehensive income for the year	25	-	-	23,206,414	(3,759,308)	19,447,106
Total comprehensive income for the year		-	8,144,826	23,206,414	(3,759,308)	27,591,932
Dividends declared during the year	25	-	(11,400,000)	-	-	(11,400,000)
At 31 March 2022		10,570,848	(14,092,706)	2,988,067	1,215,929	682,138

WMR JV Investco Limited

Statement of cash flows for the year ended 31 March 2022

		For the year ended 31 March 2022	For the year ended 31 March 2021
	Note	£	£
<u>Operating activities</u>			
Profit before tax		18,736,421	12,241,331
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment and amortisation of intangibles		16,153,408	15,728,957
Net foreign exchange differences	5	1,841	756
Gain on disposal of asset		-	(125,220)
Finance income	8	-	(1,107)
Finance expenses	7	14,834,901	15,723,281
		<u>49,726,571</u>	<u>43,567,998</u>
<u>Working capital adjustments:</u>			
(Increase) / decrease in trade and other receivables		(2,960,869)	6,501,436
Increase / (decrease) in trade and other payables		2,698,826	(38,978)
Interest paid		(11,802,723)	(12,520,735)
Income tax paid		(413,467)	-
Net cash generated from operating activities		<u>37,248,338</u>	<u>37,509,721</u>
<u>Investing activities</u>			
Proceeds from sale of property, plant and equipment		-	513,324
Purchase of property, plant and equipment		(2,934,150)	-
Net cash (used in) / generated from investing activities		<u>(2,934,150)</u>	<u>513,324</u>
<u>Financing activities</u>			
Drawdown of loans	17	10,000,000	10,000,000
Principal element of lease payment	22	(450,577)	(450,577)
Repayment of loans	17	(27,912,564)	(26,758,130)
Dividends paid	25	(11,400,000)	(20,200,000)
Net cash used in financing activities		<u>(29,763,141)</u>	<u>(37,408,707)</u>
Net increase in cash and cash equivalents for the year		<u>4,551,047</u>	<u>614,338</u>
Net foreign exchange differences	5	(1,841)	(756)
Cash and cash equivalents at the beginning of the year		9,169,498	8,555,916
Cash and cash equivalents at the end of the year		<u>13,718,704</u>	<u>9,169,498</u>

WMR JV Investco Limited

Notes to the financial statements for the year ended 31 March 2022

1. Corporate information

1.1 Corporate information

WMR JV Investco Limited (the “Company”) is a private company and limited by share capital, incorporated and domiciled in the United Kingdom. The registered office is located at 4th floor, 3 More London Riverside, London, SE1 2AQ.

The principal activity of the Company is to develop, build and jointly operate an offshore wind farm situated 8km from the Holderness coast, north of Spurn Head at the river Humber estuary. The windfarm is jointly owned and operated with Orsted, with all operational decisions being taken jointly.

2. Accounting policies

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

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in cash flow hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 Going Concern

The Directors are satisfied that the Company is in a solvent and liquid position and that it is appropriate to prepare the Company’s financial statements on a going concern basis although the Company is at net current liability. This assessment was based on the fact that the Company is capable of providing funds and positive net cash flows and income are anticipated going forward. Accordingly, the Company is expected to be in a position to meet its liabilities as they fall due for a period greater than twelve months from the approval of the financial statements.

2.3 Summary of significant accounting policies

Foreign currency translation

The Company’s financial statements are presented in Great British Pounds (“GBP”, “£”), which is also the Company’s functional currency. The British Pound presents the currency of the primary economic environment in which the Company operates. Transactions in foreign currencies are translated to the respective functional currency at the foreign exchange rates at the dates of the transactions.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value, are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in 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 rate at the date of the transaction.

Business combinations and goodwill

Contingent considerations are recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company's interests in joint operations are recognised in relation to its interest in a joint operation's:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Under joint operations, the expenses that the Company incurs, and its share of the revenue earned is recognised in the statement of comprehensive income. Assets controlled by the Company and liabilities incurred by it are recognised in the statement of financial position.

Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Intangible assets (continued)

The permit is an intangible asset that has been recognised in relation to the contractual rights contained within Westermost Rough Limited to operate the offshore windfarm. It is amortised over its estimated economic useful life of 25 years on a straight-line basis, commencing from the Commercial Operations Start Date.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment either individually or at the Cash-Generating Unit ("CGU") level. The carrying value of CGU containing the goodwill is compared to the recoverable amount by estimating Fair value less cost to sell ("FVLCTS"). Any impairment is recognised immediately as an expense and is not subsequently reversed. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Tangible fixed assets

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost comprises the purchase price or construction cost and any costs directly attributable to making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is calculated using the straight-line method at the point of commercial deployment and is provided over their expected useful economic life as follows:

Freehold land - not depreciated
Right of use assets – 20 years
Decommissioning asset – 24 years
Wind farm production assets – 24 years

Each asset's estimated useful life, residual value and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised.

Decommissioning provision

Provision for future decommissioning costs is made in full when the Company has an obligation to dismantle and remove the wind farm and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the useful economic life of the facility. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the wind farm asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance expense in the statement of comprehensive income.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as interest payable in the statement of comprehensive income in the period in which they are incurred.

Leases

IFRS 16, 'Leases', replaces IAS 17 and IFRIC 4. The company has implemented the standard based on the modified retrospective method, which grants the relief from restating comparative figures. Therefore, the comparative figures are prepared and presented in accordance with IAS 17 and IFRIC 4.

The new standard changes the accounting treatment of leases which were previously reported as operating leases. The standard requires that all leases, regardless of type and with few exceptions, are recognised in the lessee's balance sheet as an asset with a related liability. Also, the lessee's statement of comprehensive income is affected, as the annual lease costs consist of two elements - depreciation and interest expenses - as opposed to prior reported periods, where the annual costs relating to operating leases was recognised as one amount in other external expenses or in property, plant and equipment in connection with the construction.

Initial measurement of the Lease asset

At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Leases (continued)

Initial measurement of the Lease asset (continued)

- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

A lessee shall recognise the costs as part of the cost of the right-of-use asset when it incurs an obligation for those costs. A lessee applies IAS 2 Inventories to costs that are incurred during a particular period as a consequence of having used the right-of-use asset to produce inventories during that period. The obligations for such costs accounted for applying this Standard or IAS 2 are recognised and measured applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

On the other hand, at the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Subsequent measurement

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model, unless it applies either of the measurement models.

Cost model

To apply a cost model, a lessee shall measure the right-of-use asset at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease.

A lessee shall apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. A lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Other measurement models

If a lessee applies the fair value model in IAS 40 Investment Property to its investment property, the lessee shall also apply that fair value model to right-of-use assets that meet the definition of investment property in IAS 40.

If right-of-use assets relate to a class of property, plant and equipment to which the lessee applies the revaluation model in IAS 16, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Leases (continued)

On the other hand, after the commencement date, a lessee shall measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications specified in or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate.

Financial instruments

Financial assets

The Company classifies its financial assets and financial liabilities depending on the purpose for which they are acquired. Management determines the classification at initial recognition.

The Company classifies its financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL")

The classification of financial instruments depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Initial recognition

At initial recognition, financial assets are classified and measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction cost of financial assets carried at fair value through profit or loss are expensed in the income statement.

Subsequent measurement

Financial assets subsequent to initial recognition are measured as follows:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

(b) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss. The Company has no assets under this category.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Financial instruments (continued)

(c) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVPL using fair value option, are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises. The Company has no assets under this category.

Impairment of financial assets

As per IFRS 9 'Financial Instruments', it is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the new expected loss approach, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to financial instruments measured at amortised cost and at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts. The Company holds only trade receivables with no significant financing component and therefore has chosen to apply the simplified approach in calculating ECL.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank which are subject to an insignificant risk of change in value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the provision for expected credit losses.

Financial liabilities

The Company only has financial liabilities that are not designated at fair value through profit or loss and has continued to classify these as other financial liabilities. These are included in current liabilities, except for maturities greater than 12 months after the end of the reporting date which are classified as non-current liabilities. These include interest bearing loans and borrowings, trade and other payables and other financial liabilities.

Financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

After initial measurement, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the outflow of economic benefits can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Interest bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or otherwise cancellation of the liabilities are recognised respectively in finance income and finance expense.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less, otherwise, they are represented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequent remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivative financial instruments as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transaction (cash flow hedges); and
- Hedges of a net investment in a foreign operation (net investment hedge).

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- The hedging relationship consists only of eligible hedging instruments and hedged items;
- At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio; and
- The hedging relationship meets all of the following hedge effectiveness requirements:
 - a. An economic relationship exists between the hedged item and hedging instrument;
 - b. The effect of credit risk does not dominate the value changes that result from the economic relationship; and
 - c. The hedge ration is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

The Company's interest-bearing loans and borrowings is designated as hedged item and the interest rate swaps is designated as hedging instrument. Both are still qualified as eligible for the purpose of hedge accounting under IFRS 9. The hedged item creates an exposure to pay three-month Sonia (or any alternative replacement rate) on the notional amount. The interest rate swap on the same notional creates an equal and opposite interest receipt and a fixed interest payment, therefore creating interest payment and resulting in a net fixed interest payable.

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

Applying the principles of hedge accounting under IFRS 9, hedges are still classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Any gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income and any remaining profit or loss on the hedging instrument which is designated as hedge ineffective shall be recognised directly to profit or loss.

For a hedged forecast transaction that subsequently results in the recognition of a non-financial asset or liability, the Company has elected to remove the associated gains and losses that were recognised in other comprehensive income (OCI) and include them in the initial cost or other carrying amount of the asset or liability as a basis adjustment.

The Company applies the new hedge accounting model prospectively from 1 April 2018, as no hedging relationship is existed on or were designated after 1 April 2017 (the beginning of the comparative period) that would require retrospective application of the new hedge accounting treatment. Accordingly, no adjustment was made to the opening balance of retained profits and other reserves on 1 January 2018. All hedge accounting relationships designated under the previous IAS 39 have continued to be valid hedge accounting relationships in accordance with IFRS 9.

Revenue recognition

Under IFRS 15, revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Under the IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. IFRS 15 established the new five (5)-step model that applies to revenue arising from contracts with customers.

The five (5)-step model is as follows:

1. Identify the contracts with customers
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue as the entity satisfies a performance obligation.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Under the modified retrospective method, the standard applied either to all contracts at the date of the application or only to contracts that are not completed at this date. The Company elected to apply the standards to all contracts and the adoption of IFRS 15 did not have any material impact on the amounts recognized and are not expected to significantly affect the current or future periods.

(i) Sale of Electricity

The performance obligation is the delivery of all Electrical Outputs to the Buyer that the Seller received pursuant to the Lifting Arrangements per IPPA Contract or as transferred to the Seller by the generator. Sale of electricity represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. Electricity qualifies as distinct goods because:

- i. Buyer can benefit from the electricity on its own; and
- ii. The promise to transfer electricity is separately identifiable within the IPPA contract.

Revenue is recognised when (or as) the Seller satisfies its performance obligation by delivering to the buyer all of its electrical output as described in Clause 4.1(A) of the IPPA Contract.

Seller transfers control of the electricity over time (during the contract period) and buyer simultaneously receives and consumes the benefits provided by Seller's performance as it performs; therefore, Seller would satisfy its performance obligations and would recognize revenue on sales of electricity over time by measuring the progress toward complete satisfaction of its performance obligation to deliver electricity. The objective when measuring progress is to depict the Seller's performance in transferring control of the electricity to Buyer.

(ii) Sale of Renewables Obligation Certificate ("ROC")

The performance obligation is the promise to transfer all Associated Benefits to the Buyer that the Seller received pursuant to the Investor Fixed Price PPA or as issued in respect of Electrical Output transferred to the Seller during the Commercial Operations Period. The promise to transfer Associated Benefits to the Buyer during the Commercial Operations Period represents goods that are distinct based on the following:

- i. Buyer can benefit from the electricity on its own; and
- ii. The promise to transfer electricity is separately identifiable within the IPPA contract.

Associated benefits are also distinct, and control is passed at the time associated benefits are simultaneously received and consumed by the buyer (same time the Electrical output is received). Thus, revenue from the sale of associated benefits is also recognized at the time of generation.

Income tax

Current income taxes are determined on the basis of estimated taxable income. Current income tax assets and liabilities are measured at the amount expected to be paid to / (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax assets or liabilities are recognised for temporary differences between the carrying amounts and tax bases of assets and liabilities, based on tax rates and tax laws that have been enacted or substantively enacted for future years. Deferred tax assets are recognised only to the extent, that their realisation is considered probable.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

2. Accounting policies (continued)

2.4 *New accounting standards, amendments and interpretations not yet effective, and which have not been early adopted.*

Standards and amendments that are effective for annual periods beginning on or after 1 January 2021 which have been adopted by the Company include:

- (i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
- (ii) Amendments to IFRS 16 Leases: Covid-19 – Related rent concessions beyond 30 June 2021

When initially applied, the amendments have not had a material impact on the Company's financial statements, in particular on the derivatives and loans and borrowings, therefore detailed disclosures have not been provided.

Standards and amendments that are effective for subsequent reporting periods and have not been early adopted by the Company include:

- (i) Annual Improvements to IFRS Standards 2018-2020, effective 1 January 2022
- (ii) IFRS 17 and Amendments to IFRS 17 – Insurance Contracts, effective 1 January 2023
- (iii) Narrow scope amendments to IFRS 3, IAS 16 and IAS 37 (effective 1 January 2022)

These standards and amendments are not expected to have a material impact on the financial statements in the period of initial application and therefore detailed disclosures have not been provided.

3. Significant accounting judgments and estimates

The preparation of financial statements requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Summarised below are those accounting estimates used in the preparation of the financial statements that are considered critical because they require management to make such estimations.

a) *Joint arrangement*

As an initial step in assessing the appropriate classification and accounting for an investment, management is required to judge whether it has control of an investee. Based on the IFRS 10 definition of control, an investor controls an investee when it is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. As a second step, IFRS 11 requires management to assess whether the arrangement meets the IFRS 11 definition of a joint arrangement and to classify the joint arrangement as either a joint operation or a joint venture by assessing the rights and obligations under the arrangement. The investment has been accounted for on a joint operation basis, given the Company owns 50% of the investee and has joint control over the rights to the assets, and obligations for the liabilities, relating to the arrangement.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

3. Significant accounting judgments and estimates (continued)

b) Useful lives of production assets

The end of life of the wind farm is a key judgement and input into the calculations for leases, depreciation, and decommissioning. It is also a key judgement in our impairment assessments for property, plant and equipment. Changes to the end of life could materially impact these calculations and assessments. The current expectation is that the wind farm will operate until 2039 at which point it will be decommissioned. This aligns to the remaining expected operating life of the wind turbines.

c) Decommissioning provision

Estimates of decommissioning obligations are based on management's expectations concerning timing and scope, future cost level, and adopted laws and regulations on decommissioning. The timing of decommissioning obligations depends on the useful lives of the assets. In determining the discounting of decommissioning obligations at 31 March 2022, a discount rate of 3.5% was applied (2021: 3.5%). The applied discount rate of 3.5% is still expected to be applied over a prolonged period. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on historic interest rate level. The extent to which decommissioning, and restoration will be required is estimated based on current legislation and standards in this area. Expectations concerning the future cost level are based on variables such as expectations concerning the general price trend, demand conditions and the development in existing technologies.

d) Estimated impairment of goodwill

The Company has only one cash generating unit ("CGU"). Management assessed the goodwill allocated to the CGU for impairment by comparing the carrying amount of the CGU to the recoverable amount of the CGU which is derived by estimating the Fair value less cost to sell ("FVLCTS"). Cost to sell is estimated to be 2% of the fair value. FVLCTS has been estimated as £437,627,491 (2021: £455,181,803) while the reported carrying amount is £323,664,502 (2021: £310,392,764). Therefore, goodwill is recorded at its carrying amount and no impairment is to be recognised since recoverable amount is substantially higher than the year end book value.

4. Revenue

Revenue is attributable to the sale of electricity and associated benefits.

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Renewable obligation certificates	42,829,175	47,541,177
Sales of electricity	26,770,051	14,912,601
Other revenues	764,581	351,788
	70,363,807	62,805,566

All revenue arose within the United Kingdom and is recognised over time. There are not contract assets and liabilities arising from these revenue transactions.

The Company has a variable price power purchase agreement with Westernmost Rough Limited and Orsted and it sells its power generation and associated benefits under this agreement.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

4. Revenue (continued)

Timing of revenue recognition from customers:

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Over time	70,363,807	62,805,566

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

- 'Over time' mainly comprises of long-term contracts with customers to deliver the electricity power.

5. Administrative expenses

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
O&M service costs	10,528,607	10,687,525
Insurance fees	279,508	266,984
Professional fees	81,803	57,147
Auditors' remuneration	74,400	71,400
Tax advisory fees	21,880	22,380
Exchange loss	1,841	756
Others	976,476	919,238
	11,964,515	12,025,430

During the year, the Company incurred audit services amounting to £74,400 (2021: £71,400). No other fees were payable to the auditors.

6. Directors' emoluments and employee information

The Company has no employees (2021: no employees) other than the Directors. During the year, all Directors were employed by and received all emoluments from other entities. The Directors perform directors' duties for many of these entities. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed. The Directors did not receive any emoluments in respect of their qualifying services to the Company (2021: nil).

7. Finance expenses

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Interest and other expenses due to banks and other financial institutions	14,224,590	15,089,038
Unwinding of discount on provisions (Note 21)	390,492	375,345
Interest on finance leases	188,324	170,899
Recharged finance costs	31,495	87,999
	14,834,901	15,723,281

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

8. Finance income

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Other interest income	-	1,107
Interest income on cash held with the bank	7,712	-
	<u>7,712</u>	<u>1,107</u>

9. Cost of sales

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
<i>Included in cost of sales:</i>		
Depreciation and amortisation	<u>16,173,611</u>	<u>15,728,957</u>

10. Components of OCI

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Cash flow hedges:		
Gain arising during the year		
Interest rate swaps	23,206,414	12,542,782
	<u>23,206,414</u>	<u>12,542,782</u>
Deferred tax	(3,759,308)	(2,014,304)
	<u>19,447,106</u>	<u>10,528,478</u>

11. Income tax expense

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Current tax:		
Current tax on profit for the year	<u>3,253,058</u>	<u>760,020</u>
Deferred tax (Note 19):		
Current year	370,579	1,612,942
Adjustments in respect of prior years	-	2,436,198
Effects of changes in tax rates	6,967,958	466,780
	<u>7,338,537</u>	<u>4,515,920</u>
Total tax expense	<u>10,591,595</u>	<u>5,275,940</u>

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

11. Income tax expense (continued)

Factors affecting tax expense for the year

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Profit before tax	18,736,421	12,241,331
Tax on profit at standard UK tax rate of 19% (2021: 19%)	3,559,920	2,325,853
Effects of:		
Adjustments in respect of prior years	-	2,436,198
Expenses not deductible	63,717	47,109
Tax rate changes	6,967,958	466,780
Total tax expense	10,591,595	5,275,940

The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

Factors affecting future tax charges

The tax assessed for the year is based on the standard rate of corporation tax in the UK of 19%. These included an increase to UK's main corporation tax rate to 25% which is due to be effective from 1 April 2023.

Current tax payable	As at 31 March 2022 £	As at 31 March 2021 £
WMR JV Investco Limited	2,608,033	(134,436)
Project Companies	328,944	231,823
	2,936,977	97,387

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

12. Property, plant and equipment

	Freehold land	Right of use assets	Decommissioning asset	Windfarm production assets	Total
	£	£	£	£	£
Cost					
At 1 April 2020	45,000	7,838,344	8,937,011	295,385,589	312,205,944
Adjustment	-	-	-	541,889	541,889
Disposals	-	-	-	(488,095)	(488,095)
Others	-	(1,270,694)	-	-	(1,270,694)
At 31 March 2021	45,000	6,567,650	8,937,011	295,439,383	310,989,044
Adjustment	-	-	-	541,889	541,889
Additions	-	-	130,567	2,803,581	2,934,148
At 31 March 2022	45,000	6,567,650	9,067,578	298,784,853	314,465,081
Accumulated depreciation					
At 1 April 2020	-	(382,358)	(1,703,516)	(64,520,664)	(66,606,538)
Charge for the year	-	(242,892)	(383,646)	(12,456,732)	(13,083,270)
Eliminated on disposals	-	-	-	99,991	99,991
At 31 March 2021	-	(625,250)	(2,087,162)	(76,877,405)	(79,589,817)
Charge for the year	-	(320,373)	(385,771)	(12,801,578)	(13,507,722)
At 31 March 2022	-	(945,623)	(2,472,933)	(89,678,983)	(93,097,539)
Net book value					
At 31 March 2022	45,000	5,622,027	6,594,645	209,105,870	221,367,542
At 31 March 2021	45,000	5,942,400	6,849,849	218,561,978	231,399,227

The depreciation of property, plant and equipment for the year amounting to £13,507,722 (2021: £13,083,270) are included in the cost of sales.

Right of use assets comprise of seabed lease.

13. Joint operations

The Company has a 50% interest in Westernmost Rough (Holding) Limited, an investment company which owns 100% of Westernmost Rough Limited which operates an offshore wind farm. Westernmost Rough (Holding) Limited is jointly owned with Orsted.

The principal place of business and country of incorporation of the joint operation is in United Kingdom.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

14. Intangible assets

	Intangible assets £	Goodwill £	Total £
Cost			
At 1 April 2020	100,725,686	22,799,981	123,525,667
IPPA / deferred tax wind-down	(1,952,613)	-	(1,952,613)
At 31 March 2021	98,773,073	22,799,981	121,573,054
IPPA / deferred tax wind-down	(1,952,613)	-	(1,952,613)
At 31 March 2022	96,820,460	22,799,981	119,620,441
Accumulated amortisation			
At 1 April 2020	(12,208,410)	-	(12,208,410)
Amortisation	(2,645,687)	-	(2,645,687)
At 31 March 2021	(14,854,097)	-	(14,854,097)
Amortisation	(2,645,687)	-	(2,645,687)
At 31 March 2022	(17,499,784)	-	(17,499,784)
Net book value			
At 31 March 2022	79,320,676	22,799,981	102,120,657
At 31 March 2021	83,918,976	22,799,981	106,718,957

Intangible assets consist predominantly of the permit right owned by Westernmost Rough Limited and will be amortised over its estimated economic useful life of 25 years on a straight-line basis, commencing from the Commercial Operations Start Date.

The amortisation charge of intangible assets for the year amounting to £2,645,687 (2021 £2,645,687) are included in the cost of sales.

The Company has only one cash generating unit ("CGU"). Management assessed the goodwill allocated to the CGU for impairment by comparing the carrying amount of the CGU to the recoverable amount of the CGU which is derived by estimating the Fair value less cost to sell ("FVLCTS"). Cost to sell is estimated to be 2% of the fair value. FVLCTS has been estimated as £437,627,491 (2021: £455,181,803) while the reported carrying amount is £323,664,502 (2021: £310,392,764). Therefore, goodwill is recorded at its carrying amount and no impairment is to be recognised since recoverable amount is substantially higher than the year end book value.

15. Trade and other receivables

	As at 31 March 2022 £	As at 31 March 2021 £
Accrued income	17,825,071	15,195,347
Prepayments	5,057,830	4,767,956
Amounts due from related parties (see note 26)	1,820,323	1,696,903
Trade receivables	65,216	518,393
Other receivables	945,527	517,567
	25,713,967	22,696,166

Increase in accrued income was correlated to the change in revenue.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

16. Cash and cash equivalents

	As at 31 March 2022 £	As at 31 March 2021 £
Cash held with the bank	<u>13,718,704</u>	<u>9,169,498</u>

Cash at bank amounted to £13,718,704 (2021: £9,169,498) at the year end, of which majority of the balance is denominated in GBP.

17. Interest bearing loans and borrowings

Current		Actual interest rate %	Effective interest rate %	Maturity	As at 31 March 2022 £	As at 31 March 2021 £
Term loan	ii	SONIA+1.55	SONIA+1.55	15-Jun-33	19,554,331	17,068,900
Working capital facility	i	SONIA+1.55-1.7%	SONIA+1.55	On demand	10,000,000	10,000,000
					<u>29,554,331</u>	<u>27,068,900</u>
Non-current					£	£
Term loan	i	SONIA+1.55	SONIA+1.55	15-Jun-33	261,676,854	281,231,185
Long term debt	ii	SONIA+1.000%	SONIA+1.000%	15-Dec-30	2,000	2,000
					<u>261,678,854</u>	<u>281,233,185</u>

- (i) On 8 August 2014, the Company entered into a £20,000,000 185 months working capital facility agreement with an international bank which was reduced on 1 August 2018 to £10,000,000. The facility is available to meet working capital requirements. The facility matures on 31 August 2022. As at 31 March 2022, the balance on this facility totalled £10,000,000 (2021: £10,000,000). This is repaid and drawn every year.
- (ii) On August 2014, the Company entered into a £287,500,000 185 months term loan agreement with an international bank. The facility is available for investment and funding requirements. The facility matures on 15 June 2033. As per the repayment schedule, repayments of £5,823,119, £3,614,410, £2,721,364 and £5,753,671 were made on 15 June 2021, 15 September 2021, 15 December 2021 and 15 March 2022, respectively. As at 31 March 2022, the balance of term loan amounted to £286,258,664 (2021: £304,171,228).
- (iii) This borrowing pertains to unsecured loan notes of £2,000 (2021: £2,000) which carry interest of SONIA plus 1% mark-up and payable in full on 31 December 2030.

In June 2022, the loans floating interest rate transition from LIBOR to SONIA was completed. This transition took effect in the June 2022 loan interest repayments. The transition had no financial impact of the Company.

As the Company assessed the impact of IFRS 9 to hedge effectiveness, the hedged item creates an exposure to pay three-month Sonia (or any alternative replacement rate) on £288,836,730 notional balance, settled three monthly from 15 September 2020 through 15 June 2033. The interest rate swap on the same notional creates an equal and opposite interest receipt and a fixed interest payment, therefore creating interest payment, therefore resulting in a net fixed interest payable. It results in a hedge ratio of 100% and the Company assessed that hedging relationship is 'highly effective'.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

18. Trade and other payables

	As at 31 March 2022 £	As at 31 March 2021 £
Trade payables	1,566,466	1,695,988
Amounts due to related parties (see note 26)	1,021,138	952,082
Accrued expenses and other payables	14,647,354	13,679,974
	<u>17,234,958</u>	<u>16,328,044</u>

19. Deferred tax

The Company's deferred tax balances are stated based on the tax rates at which the deferred tax balances are expected to reverse. The movement on the deferred tax account is shown below.

	£
At 1 April 2020	(10,972,862)
Adjustment in respect of prior years	(2,436,198)
Deferred tax charge to I/S for the year	(2,079,722)
Deferred tax credit in OCI for the year	(2,014,304)
At 31 March 2021	(17,503,086)
Deferred tax charge to I/S for the year	(7,338,537)
Deferred tax credit in OCI for the year	(3,759,307)
At 31 March 2022	(28,600,930)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. On this basis, the Company offset the PPE and Intangibles liability with the derivatives, decommissioning and tax losses assets.

Deferred tax liabilities	Intangible assets £	PPE £
At 1 April 2020	(12,430,431)	(20,369,261)
Prior year adjustment	(1,640,464)	(2,084,800)
Provided / (utilised) during the year	605,639	(3,004,778)
At 31 March 2021	(13,465,256)	(25,458,839)
Provided / (utilised) during the year	605,639	(142,614)
Rate change in year	(3,869,677)	(8,028,440)
At 31 March 2022	(16,729,294)	(33,629,892)

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

19. Deferred tax (continued)

Deferred tax assets	Derivatives £	Losses £	Decommissioning £
At 1 April 2020	5,630,955	15,600,814	595,061
Prior year adjustment	1,358,586	(69,521)	-
(Utilised) / provided during the year	(2,014,304)	109,697	209,721
At 31 March 2021	4,975,237	15,640,990	804,782
(Utilised) / provided during the year	(4,051,131)	(985,589)	151,984
Rate change in year	291,823	4,628,021	302,137
At 31 March 2022	1,215,929	19,283,423	1,258,903

For the year 2022, deferred tax assets have been offset against the deferred tax liabilities above. The net deferred tax liability to be disclosed as non-current is therefore £28,600,930.

For the year 2021, deferred tax assets amounting to £4,975,237 have not been offset against the deferred tax liabilities above. Therefore, the deferred tax liability to be disclosed as non-current is £22,478,323.

The provision for deferred tax consists of the following:

Deferred tax liabilities	As at 31 March 2022 £	As at 31 March 2021 £
No more than 12 months after reporting year	783,698	709,463
More than 12 months after reporting year	27,817,232	21,768,860
Total provision	28,600,930	22,478,323

20. Other financial liabilities

	As at 31 March 2022 £	As at 31 March 2021 £
Derivatives used for hedging		
Interest swaps contracts	4,863,715	26,185,456
Total fair value of hedging derivatives	4,863,715	26,185,456

Financial liabilities at fair value through OCI reflect the change in fair value of interest rate swap agreements designated as cash flow hedges to hedge the variable interest rate (SONIA) payable on the Generator term facility, the JBIC facility and the Transmission term facility.

i) Interest rate swaps agreements:

On 23 December 2021, the Company amended its initial interest rate swap agreements with a notional amount of £314,084,070, settled every 3 months from 15 March 2022 through 15 June 2033.

These agreements enable the Company to receive a variable rate of interest equal to SONIA in exchange for the payment of its respective fixed rate of interest for the swaps in relation to its term loan facility.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

20. Other financial liabilities (continued)

The swaps are being used to hedge the exposure to changes in the fair value of its variable rate loans. These cash flow hedges were assessed to be highly effective, and as at 31 March 2022, a net unrealised gain of £21,321,741 (2021: £10,601,600) was included in OCI in respect of these contracts. The ineffectiveness recognised during the year was £nil (2021: £nil).

The following financial instruments are measured at fair value using the hierarchy below for determination and disclosure of their respective fair values:

- Level 1: Unadjusted quoted prices in active markets for identical financial assets or liabilities
 Level 2: Other valuation techniques where the inputs are based on significant observable factors
 Level 3: Other valuation techniques where the inputs are based on significant unobservable market data

	Date of valuation	Level 1 31 March 2022	Level 2 31 March 2022	Level 3 31 March 2022
	£	£	£	£
Financial liabilities				
Interest swaps contracts	31 March 2022	-	4,863,715	-

	Date of valuation	Level 1 31 March 2021	Level 2 31 March 2021	Level 3 31 March 2021
	£	£	£	£
Financial liabilities				
Interest swaps contracts	31 March 2021	-	26,185,456	-

The interest swaps contracts are classified as level 2 of the fair value hierarchy because they valued using techniques that are based upon quoted rates in an active market for similar properties. Where such information is not available the directors consider information from variety of sources including:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active; and
- capitalised income projections based upon an asset's estimated net market income, and a capitalised rate derived from an analysis of market evidence.

The Company does not acquire, hold or issue financial instruments for trading purposes. The Company has no other financial assets and liabilities carried at fair value hierarchy during the current and previous years. There were no transfers between levels.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

21. Provision

Decommissioning provision	£
At 1 April 2020	10,733,850
Change in estimates	(23,652)
Unwinding of provisions	375,345
At 31 March 2021	11,085,543
Change in estimates	154,220
Unwinding of provisions	390,492
At 31 March 2022	11,630,255

The decommissioning provision is calculated as the present value of estimated decommissioning costs using a discount rate of 3.5% (2021: 3.5%). Included within property, plant and equipment amounting to £5,622,027 (2021: £5,942,400) reflects the Company's expectation to recover future decommissioning costs from the sale of electricity during the current and future years. The decommissioning asset is being depreciated over the expected life of the wind farm.

22. Leases

Lease liabilities

	As at 31 March 2022 £	As at 31 March 2021 £
Long term lease liabilities	5,288,136	5,541,465
Current portion of long term lease liabilities	450,576	450,576

Seabed leases include variable lease payments which depend on the number of megawatt hours generated. However, we have typically agreed on minimum lease payments for the seabeds and these minimum payments are included in the lease liabilities.

Seabed lease period is 50 years with a break clause which can be actioned before the end of the lease period. Break clause requires a notice period of 3 years before termination of the lease.

A lease period aligned to the life of the wind farm is used. See Note 3 for further details.

Right of use assets

	Seabed lease £	Right of use assets £
Carrying amount at 1 April 2020	7,455,986	7,455,986
Others	(1,270,694)	(1,270,694)
Depreciation	(242,892)	(242,892)
Carrying amount at 31 March 2021	5,942,400	5,942,400
Others	-	-
Depreciation	(320,373)	(320,373)
Carrying amount at 31 March 2022	5,622,027	5,622,027

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

22. Leases (continued)

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table as follows:

	31 March 2022 £	31 March 2021 £
Within one year	451,000	451,000
After one year but not more than five years	1,802,000	1,802,000
More than five years	5,520,000	5,970,000
Total lease liabilities (undiscounted)	7,773,000	8,223,000

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	31 March 2022 £	31 March 2021 £
Lease payments	706,729	840,517

Finance charge on leases going through the Statement of comprehensive income is disclosed in note 7 'Finance expenses'.

Depreciation charge on right of use asset is disclosed in note 12 'Property, plant and equipment'.

Variable amount of the lease payments exceeding the minimum lease payments amounts to £256,151 (2021: £389,941).

23. Commitments and contingencies

Capital commitments

At 31 March 2022, the Company had capital commitments totalling £nil (2021: £nil) in relation to the construction of Westernmost Rough wind farm assets.

24. Issued capital

	Par value per share £	As at 31 March 2022 £	As at 31 March 2021 £
Authorised, fully paid and issued shares: 10,570,848 shares (2021: 10,570,848 shares)	1	10,570,848 10,570,848	10,570,848 10,570,848

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

25. Reserves

	Cash flow hedging reserve	Deferred tax on derivatives	Retained earnings / (Accumulated losses)
	£	£	£
At 1 April 2020	(32,761,129)	6,989,541	2,397,077
Profit for the year	-	-	6,965,391
Other comprehensive income / (loss) for the year	12,542,782	(2,014,304)	-
Dividends declared during the year	-	-	(20,200,000)
At 31 March 2021	(20,218,347)	4,975,237	(10,837,532)
Profit for the year	-	-	8,144,826
Other comprehensive income for the year	23,206,414	(3,759,308)	-
Dividends declared during the year	-	-	(11,400,000)
At 31 March 2022	<u>2,988,067</u>	<u>1,215,929</u>	<u>(14,092,706)</u>

During the year, an interim dividend of £11,400,000 (2021: £20,200,000) was declared and paid to WMR JV Holdco Limited.

Cash flow hedging reserves

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

26. Transactions with related parties

Transactions with related entities include sales, purchases and financing activities.

The following tables provide the total amount of transactions which have been entered into with related parties:

	Income from related parties £	Purchase and receipt of services £	Amounts owed by related parties £	Amounts owed to related parties £
		(Orsted Power UK Ltd & Orsted Wind Power Holding A/S)	(Orsted Power UK Ltd & Fuujin Power Ltd.)	(Orsted Power UK Ltd)
Fellow undertakings				
31 March 2022	-	13,427,829	1,820,323	1,021,138
31 March 2021	11,300	10,938,266	1,696,903	952,082

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

27. Risk management and financial instruments

Set out below are the carrying amounts of the Company's financial instruments.

	As at 31 March 2022 Carrying amount £	As at 31 March 2021 Carrying amount £
Financial assets		
<i>Amortised cost:</i>		
Cash and cash equivalents	13,718,704	9,169,498
Trade and other receivables (excluding prepayments)	20,656,137	17,928,210
Total financial assets	34,374,841	27,097,708
Financial liabilities		
<i>Other financial liabilities at amortised cost:</i>		
Trade and other payables	(17,234,958)	(16,328,044)
Interest bearing loans and borrowings	(291,233,185)	(308,302,085)
Lease liabilities	(5,738,712)	(5,992,041)
<i>Derivatives used for hedging:</i>		
Interest rate swap contracts	(4,863,715)	(26,185,456)
Total financial liabilities	(319,070,570)	(356,807,626)

The carrying amounts of Company's financial assets and financial liabilities, other than derivatives and interest bearing loans and borrowings, as at 31 March 2022 and 2021, as presented in the table above, are assumed to approximate their fair values, as the impact of discounting is considered insignificant due to their short term nature.

The derivatives and interest bearing loans and borrowings are based on floating rates reflective of market risk and therefore, carrying amount and fair value are considered to be the same.

None of these financial assets is either past due or impaired during the year (2021: same).

The Company's activities expose it to various financial risks particularly associated with interest rate risk on its loans and borrowings and foreign currency risk on both conducting business in currencies other than reporting currency as well as translation of the assets and liabilities of foreign currency balances to the reporting currency. The Company evaluates these risks through monitoring and manages these risks using a combination of various derivative instruments, principally forward currency contracts and interest rate swaps, in line with the Company's hedging policies.

The other main risks (besides interest rate risk and foreign currency risk) arising from the Company's financial instruments is credit risk, liquidity risk and the policies relating to these risks are discussed in detail below:

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

27. Risk management and financial instruments (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the Company's interest-bearing financial liabilities and assets. The Company's exposure to market risk arising from changes in interest rates relates primarily to the Company's long-term floating rate debt obligations and its cash and bank balances.

The Company manages its interest rate risk by entering into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 March 2022, after taking into account the effect of interest rate swaps, approximately 90% (2021: 90%) of the Company's borrowings are at a fixed rate of interest.

Interest rate sensitivity analysis

The impact on the Company's profit before tax and finance liabilities due to a reasonably possible change in interest rates on loans and borrowings at the reporting date is demonstrated in the table below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax	
	100 basis point increase	100 basis point decrease
	£	£
31 March 2022	(113,698)	113,698
31 March 2021	(121,324)	121,324

Interest rate swaps

At 31 March 2022, the Company had interest rate swap agreements in place for its loans whereby it pays its respective fixed rate of interest and receives a variable rate equal to SONIA on the notional amount. The fair value of the interest rate swaps at 31 March 2022 is a total liability of £4,863,715 (2021: £26,185,456) and is being used to hedge the exposure to changes in SONIA rates.

Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when expenses are denominated in foreign currencies). The net exposure of each currency is monitored and managed by the central treasury function through a mandate from the board of directors.

Foreign currency sensitivity analysis

However, the Company deems the risk of foreign exchange transactions risk as insignificant and no other active management of this risk is undertaken. The historical trend of the currencies that the Company transacts in has been assessed as stable.

The Company's principal currency risks relate to DKK, USD and EUR exposure. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and loans are denominated in Pound Sterling.

The Company has used a sensitivity analysis technique that measures the estimated impact on the income statement and equity of a reasonably possible change in foreign currency exchange rates for each class of financial instruments, with all other variables held constant. The sensitivity analysis is based on material non-functional currency financial instruments.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

27. Risk management and financial instruments (continued)

The Company has immaterial currency exposure if the Pound Sterling increases or decreases by 10%; this is based on total liabilities which are carried in DKK, USD and EUR. The loss or profit will be recognised in the statement of comprehensive income of the Company if this would take place.

Liquidity risk

The Company's primary objective is to ensure sufficient liquidity is available to support future growth. The strategy includes the provision of financial capital and the potential impact on the Company's capital structure is reviewed regularly. The Company is not exposed to any external capital constraints. The maturity profiles of the Company's financial liabilities are as follows:

	< 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
31 March 2022					
Interest bearing loans and borrowings and interest rate swaps and contracts	15,985,744	14,360,971	91,579,586	179,198,078	301,124,379
Trade and other payables	17,234,958	-	-	-	17,234,958
Lease liabilities	-	451,000	1,802,000	5,520,000	7,773,000
Total financial liabilities	33,220,702	14,811,971	93,381,586	184,718,078	326,132,337
	< 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
31 March 2021					
Interest bearing loans and borrowings and interest rate swaps and contracts	15,823,119	12,089,445	87,026,065	225,420,055	340,358,684
Trade and other payables	16,328,044	-	-	-	16,328,044
Lease liabilities	-	451,000	1,802,000	5,970,000	8,223,000
Total financial liabilities	32,151,163	12,540,445	88,828,065	231,390,055	364,909,728

The interest bearing loans and borrowings, and interest rate swap contracts presented together, given that they use the same variable rate to calculate and presents a realistic view of the future repayments.

Credit risk

Credit risk represents the loss that would be recognised if the counterparties to financial instruments fail to perform as agreed. The Company's maximum exposure to credit risk is limited to the carrying value of cash and cash equivalents and other receivables. Company policies are aimed at minimising credit risk. These policies have proved effective in minimising the level of impaired and past due receivables.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

27. Risk management and financial instruments (continued)

The aging profiles of the Company's financial assets are as follows:

	< 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
31 March 2022					
Cash and cash equivalents	13,718,704	-	-	-	13,718,704
Trade and other receivables (excluding prepayments)	20,656,137	-	-	-	20,656,137
Total financial liabilities	34,374,841	-	-	-	34,374,841
	< 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
31 March 2021					
Cash and cash equivalents	9,169,498	-	-	-	9,169,498
Trade and other receivables (excluding prepayments)	17,928,210	-	-	-	17,928,210
Total financial liabilities	27,097,708	-	-	-	27,097,708

Financial assets are not past due and impaired (2021: same).

The Company has a policy of collecting receivables from customers within 5 days from the invoice date. Historical experiences show that the customers were able to meet the Company's credit terms; hence, no impairment is required on its financial assets.

Capital Management

The Company's objectives, when managing capital, are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings', as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

At 31 March 2022, the gearing ratio is 100% (2021: 112%).

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2022

28. Ultimate parent undertaking and controlling party

The Company is fully consolidated into the financials of WMR JV Holdco Limited being its immediate parent undertaking. The smallest and largest group within which the Company is consolidated is WMR JV Holdco Limited a Company registered in England and Wales. Copies of these consolidated financial statements can be obtained from 4th Floor, 3 More London Riverside, London, SE1 2AQ.

WMR JV Holdco Limited is a 50:50 joint venture undertaking between Fuujin Power Limited and WMR HoldCo Limited.

Fuujin Power Limited was incorporated on 4 March 2014 and is domiciled in the United Kingdom. On 10 October 2019, Fuujin Power Limited was purchased by WMR Investor 2 LP; company registered at 15 Atholl Crescent, Edinburgh, Scotland, EH3 8HA, from the previous shareholder Codwind Limited. The ultimate controlling entity of the company is Arjun Infrastructure Partners Limited.

WMR HoldCo Limited, a company registered in England and Wales and part of the Macquarie Group Limited. Copies of Macquarie Group Limited financial statements can be obtained from its registered office at Level 6, 50 Martin Place, Sydney, Nsw 2000, and Australia. The ultimate controlling entity of the company is Macquarie Group Limited.

Decisions are agreed mutually between the shareholders and, therefore, the Directors are of the opinion that there is no ultimate controlling party or parent company.

29. Events after the reporting date

In April 2022 and December 2022, special resolutions were approved for the declaration of interim dividends of £5,000,000 and £5,000,000, respectively. The funds were distributed to the shareholder, WMR JV Holdco Limited, being the immediate parent undertaking.