

Company number: 08921584

WMR JV Investco Limited

Report and Financial Statements For the year ended 31 March 2021



WMR JV Investco Limited

Company Information

Board of Directors	Tony Lyon (Appointed on 16 August 2020) 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 2021

The Directors present their strategic report for the year ended 31 March 2021.

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.

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.

Key performance indicators (KPIs)

The key financial indicators during the year were as follows:

	31 March 2021 £	31 March 2020 £	Variance %
Revenue	62,805,566	67,518,557	-7%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	43,692,462	48,446,192	-10%
Net profit from continuing operations	6,965,391	12,821,728	-46%
Total assets	374,959,085	401,944,013	-7%
Net liabilities	(15,509,794)	(12,803,663)	21%

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 £6,965,391 (2020: £12,821,728). The Company has declared dividends of £20,200,000 with a nominal value of £1.91 per share during the year (2020: £31,000,000). These funds were distributed to the shareholder, WMR JV Holdco Limited, being the immediate parent undertaking.

Outlook

Looking forward to the next year and beyond, the current expectation is that the operational performance would continue to not be materially impacted by COVID-19. As for downside considerations, there is a potential risk in the future that a cluster of the workforce that are meant to undertake certain operation and maintenance (O&M) services could potentially be impacted by a large scale sudden spread of COVID-19, making them simultaneously unable to work for 14 days. In such a downside scenario, Orsted could still look to mobilise alternative teams, but if the situation results in resource constraints, then Orsted could potentially need to delay the relevant O&M works (by 1-2 weeks). Should that downside scenario occur repeatedly (that is, if COVID-19 spread to different teams sequentially such that every time the next O&M work is needed, there is new resource constraints that replace the previous constraints), then the impact of delayed O&M could add up, though such a cumulative scenario is currently seen as unlikely..

WMR JV Investco Limited

Strategic report (continued) For the year ended 31 March 2021

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”).

Given that the operational performance of the wind farm has so far not been materially affected by COVID-19, there is currently no material financial impact expected on the wind farm arising from operational issues. As an indirect consequence of COVID-19, the market power price may be affected alongside reduced demand linked to reduced business activities in the UK. However, this is so far not expected to have a material impact on long-term power prices. Potential volatility in shorter term power prices would also be partly mitigated by the wind farm’s revenue structure (largely fixed due to the Renewable Obligation Certificate and Power Purchase Agreement floor price) plus the benefits from higher wind resources experienced during the year.

Interest rate and exchange risk

The Company is exposed to interest rate and exchange risk from the possibility that changes in interest rates and foreign exchange 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.

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.

WMR JV Investco Limited

Strategic report (continued) For the year ended 31 March 2021

Company's exposure to COVID-19 impact

The performance at the Westermost Rough (WMR) offshore wind farm has so far not been affected by the ongoing COVID-19 situation. Orsted, the strategic partner managing the operation and maintenance (O&M) of the wind farm, is following its robust business continuity plan for dealing with pandemics (Orsted already had a pandemic plan in place well in advance, in preparation for situations such as COVID-19), and is currently expected to be able to continue delivering its O&M performance under the COVID-19 situation. In line with this, there is also no valuation impact expected with regards to the COVID-19 situation during the year. That being said, Company will continue to closely monitor the performance of the wind farm, with preparation in advance for contingencies in case there are any material changes to the situation.

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.

Reporting

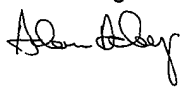
External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the Company's reputation.

This report was approved by the Board on 29 March 2022 and signed on its behalf by:

DocuSigned by:

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Jonathan Duffy
Director

Date: 29 March 2022

DocuSigned by:

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Adam Karl Delaney
Director

Date: 29 March 2022

WMR JV Investco Limited

Directors' report For the year ended 31 March 2021

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

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.

Board of Directors

The Directors, who served during the year, and up to the date 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.

Looking forward to the next year and beyond, the current expectation is that the operational performance would continue to not be materially impacted by COVID-19. As for downside considerations, there is a potential risk in the future that a cluster of the workforce that are meant to undertake certain operation and maintenance (O&M) services could potentially be impacted by a large scale sudden spread of COVID-19, making them simultaneously unable to work for 14 days. In such a downside scenario, Orsted could still look to mobilise alternative teams, but if the situation results in resource constraints, then Orsted could potentially need to delay the relevant O&M works (by 1-2 weeks). Should that downside scenario occur repeatedly (that is, if COVID-19 spread to different teams sequentially such that every time the next O&M work is needed, there is new resource constraints that replace the previous constraints), then the impact of delayed O&M could add up, though such a cumulative scenario is currently seen as unlikely.

Dividends

During the year, dividends amounting to £20,200,000 with a nominal value of £1.91 per share were declared and paid by the Company.

Post balance sheet events

On 26 May 2021, a Special Resolution was approved for the declaration of a dividend of £4,400,000. These funds were distributed to the shareholder, WMR JV Holdco Limited, being the immediate parent undertaking. The directors also approved a Special Resolution dated 10 February 2022 for the declaration of an interim dividend of £7,000,000 to its shareholder, WMR JV Holdco Limited.

WMR JV Investco Limited

Directors' report (continued) For the year ended 31 March 2021

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.

Given that the operational performance of the wind farm has so far not been materially affected by COVID-19, there is currently no material financial impact expected on the wind farm arising from operational issues. As an indirect consequence of COVID-19, the market power price may be affected alongside reduced demand linked to reduced business activities in the UK. However, this is so far not expected to have a material impact on long-term power prices. Potential volatility in shorter term power prices would also be partly mitigated by the wind farm's revenue structure (largely fixed due to the Renewable Obligation Certificate and Power Purchase Agreement floor price) plus the benefits from higher wind resources during the year.

Independent Auditors

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

Risk Management

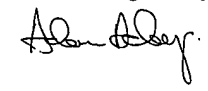
The Board convenes periodically asset management meetings to review the risks. The financial risk applicable to the Company and the mitigating factors is also disclosed in note 27.

This report was approved by the Board on 29 March 2022 and signed on its behalf by:

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Jonathan Duffy
Director

Date: 29 March 2022

DocuSigned by:

54E21468B6234CE...
Adam Karl Delaney
Director

Date: 29 March 2022

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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:

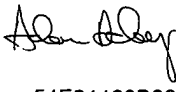
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's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

This Statement of Directors' Responsibilities was approved by the Board on 29 March 2022 and signed on its behalf by:

DocuSigned by:

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Jonathan Duffy
Director

Date: 29 March 2022

DocuSigned by:

54E21468B6234CE...
Adam Karl Delaney
Director

Date: 29 March 2022

WMR JV Investco Limited

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 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2021; the statement of comprehensive income, statement of cash flows and 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.

WMR JV Investco Limited

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

Reporting on other information

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

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

With respect to the 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

WMR JV Investco Limited

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Review of the financial statement disclosures and agreeing to underlying supporting documentation;
- Review of board minutes; and
- Testing of journals meeting certain risk criteria.

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.

WMR JV Investco Limited

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

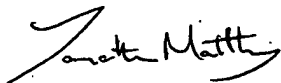
Other required reporting

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
29 March 2022

WMR JV Investco Limited

Statement of comprehensive income for the year ended 31 March 2021

		For the year ended 31 March 2021	For the year ended 31 March 2020
	Note	£	£
Revenue	4	62,805,566	67,518,557
Cost of sales	9	(22,816,631)	(22,183,432)
Gross profit		39,988,935	45,335,125
Administrative expenses	5	(12,025,430)	(12,543,524)
Operating profit		27,963,505	32,791,601
Finance income	8	1,107	72,758
Finance expenses	7	(15,723,281)	(16,889,953)
Profit before tax from continuing operations		12,241,331	15,974,406
Income tax expense	11	(5,275,940)	(3,152,678)
Net profit from continuing operations		6,965,391	12,821,728
Other comprehensive income / (loss)			
<i>Items that may be reclassified to profit or loss</i>			
Net gain / (loss) on cash flow hedges	10	12,542,782	(7,803,713)
Deferred tax	10	(2,014,304)	2,402,001
Total other comprehensive income / (loss)		10,528,478	(5,401,712)
Total comprehensive income		17,493,869	7,420,016

The net profit of £6,965,391 for the year ended 31 March 2021 (2020: £12,821,728) was derived in its entirety from continuing operations.

WMR JV Investco Limited

Statement of financial position as at 31 March 2021

		As at 31 March 2021	As at 31 March 2020
	Note	£	£
Assets			
Non-current assets			
Deferred tax assets	19	4,975,237	5,708,429
Property, plant and equipment	12	231,399,227	245,599,406
Intangible assets	14	106,718,957	111,317,257
		343,093,421	362,625,092
Current assets			
Deferred tax assets	19	-	904,303
Current tax receivable	11	-	661,526
Trade and other receivables	15	22,696,166	29,197,176
Cash and cash equivalents	16	9,169,498	8,555,916
		31,865,664	39,318,921
Total assets		374,959,085	401,944,013
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	17	281,233,185	298,302,085
Other financial liabilities	20	26,185,456	36,787,056
Provision	21	11,085,543	10,733,850
Lease liabilities	22	5,541,465	7,082,912
Deferred tax liabilities	19	21,768,860	16,979,955
		345,814,509	369,885,858
Current liabilities			
Trade and other payables	18	16,328,044	17,938,953
Current tax payable	11	97,387	-
Interest bearing loans and borrowings	17	27,068,900	25,866,650
Lease liabilities	22	450,576	450,576
Deferred tax liabilities	19	709,463	605,639
		44,654,370	44,861,818
Total liabilities		390,468,879	414,747,676
Equity			
Issued capital	24	10,570,848	10,570,848
Cash flow hedges reserve	25	(20,218,347)	(32,761,129)
Deferred tax on derivatives	25	4,975,237	6,989,541
(Accumulated losses) / retained earnings	25	(10,837,532)	2,397,077
Total equity		(15,509,794)	(12,803,663)
Total liabilities and equity		374,959,085	401,944,013

The financial statements on pages 10 to 43 were approved and authorised for issue by the Board of Directors on 29 March 2022 and signed on its behalf by:

WMR JV Investco Limited

Statement of financial position (continued) as at 31 March 2021

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Jonathan Duffy

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Jonathan Duffy

Director

Date: 29 March 2022

DocuSigned by:

Adam Karl Delaney

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Adam Karl Delaney

Director

Date: 29 March 2022

WMR JV Investco Limited

Statement of changes in equity for the year ended 31 March 2021

		Issued capital	Retained earnings / (Accumulated losses)	Cash flow hedges reserve	Deferred tax on derivatives	Total equity
	Note	£	£	£	£	£
At 1 April 2019		10,570,848	20,575,349	(24,957,416)	4,587,540	10,776,321
Profit for the year	25	-	12,821,728	-	-	12,821,728
Other comprehensive loss for the year	25	-	-	(7,803,713)	2,402,001	(5,401,712)
Total comprehensive income for the year		-	12,821,728	(7,803,713)	2,402,001	7,420,016
Dividends paid during the year	25	-	(31,000,000)	-	-	(31,000,000)
At 31 March 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 for the year	25	-	-	12,542,782	(2,014,304)	10,528,478
Total comprehensive income 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)

WMR JV Investco Limited

Statement of cash flows for the year ended 31 March 2021

		For the year ended 31 March 2021	For the year ended 31 March 2020
	Note	£	£
<u>Operating activities</u>			
Profit before tax		12,241,331	15,974,406
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment and amortisation of intangibles	9	15,728,957	15,654,591
Net foreign exchange differences	5	756	24,294
Gain on disposal of asset		(125,220)	-
Finance income	8	(1,107)	(72,758)
Finance expenses	7	15,723,281	16,889,953
		43,567,998	48,470,486
<u>Working capital adjustments:</u>			
Decrease / (increase) in trade and other receivables		6,501,436	(12,050,842)
(Decrease) / increase in trade and other payables		(38,978)	1,816,831
Finance income received	8	-	72,758
Interest paid		(12,520,735)	(13,582,436)
Income tax paid		-	(723,030)
Net cash generated from operating activities		37,509,721	24,003,767
<u>Investing activities</u>			
Proceeds from sale of property, plant and equipment		513,324	-
Purchase of property, plant and equipment		-	(41,173)
Net cash generated from / (used in) investing activities		513,324	(41,173)
<u>Financing activities</u>			
Drawdown of loans	17	10,000,000	-
Principal element of lease payment	22	(450,577)	(450,577)
Repayment of loans	17	(26,758,130)	(16,151,250)
Dividends paid	25	(20,200,000)	(31,000,000)
Net cash used in financing activities		(37,408,707)	(47,601,827)
Net increase / (decrease) in cash and cash equivalents for the year		614,338	(23,639,233)
Net foreign exchange differences	5	(756)	(24,294)
Cash and cash equivalents at the beginning of the year		8,555,916	32,219,443
Cash and cash equivalents at the end of the year		9,169,498	8,555,916

WMR JV Investco Limited

Notes to the financial statements for the year ended 31 March 2021

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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.

The performance at the Westermost Rough (WMR) offshore wind farm has so far not been affected by the ongoing COVID-19 situation. Orsted, the strategic partner managing the operation and maintenance (O&M) of the wind farm, is following its robust business continuity plan for dealing with pandemics (Orsted already had a pandemic plan in place well in advance, in preparation for situations such as COVID-19), and is currently expected to be able to continue delivering its O&M performance under the COVID-19 situation. In line with this, there is also no valuation impact expected with regards to the COVID-19 situation during the year. That being said, Company will continue to closely monitor the performance of the wind farm, with preparation in advance for contingencies in case there are any material changes to the situation.

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 2021

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 2021

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 Westernmost 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 2021

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 2021

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:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) 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 2021

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:

- Amortized 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 2021

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 amortized cost using the effective interest rate method. Amortized 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 2021

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 ratio 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 2021

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 Libor (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.

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 2021

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 2021

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 subsequent reporting periods beginning on or after 1 January 2021 and have not been early adopted by the Partnership 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) Annual Improvements to IFRS Standards 2018-2020
- (iii) Amendments to IFRS 3 – Annual Improvements to IFRS Standards 2018-2020, Reference to the Conceptual Framework, effective 1 January 2022
- (iv) Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract, effective 1 January 2022
- (v) IFRS 17 and Amendments to IFRS 17 – Insurance Contracts, effective 1 January 2023
- (vi) Amendments to IAS 1 – Classification of liabilities as current or non-current, Deferral of effective date, effective 1 January 2023

These standards and amendments are not expected to have a significant 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.

b) Fair value measurement of financial instruments

The fair values of financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

3. Significant accounting judgments and estimates (continued)

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 2021, a discount rate of 3.5% was applied (2020: 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 has determined the CGU's recoverable amount by estimating the Fair value less cost to sell ("FVLCTS") due to the recent market observable trade price data. Cost to sell is estimated to be 2% of the fair value. FVLCTS has been estimated as £455,181,803 (2020: £635,114,064) while the reported carrying amount is £310,392,764 (2020: £314,242,824). 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.

e) *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.

The performance at the Westernmost Rough (WMR) offshore wind farm has so far not been affected by the ongoing COVID-19 situation. Orsted, the strategic partner managing the operation and maintenance (O&M) of the wind farm, is following its robust business continuity plan for dealing with pandemics (Orsted already had a pandemic plan in place well in advance, in preparation for situations such as COVID-19), and is currently expected to be able to continue delivering its O&M performance under the COVID-19 situation. In line with this, there is also no valuation impact expected with regards to the COVID-19 situation during the year. That being said, Company will continue to closely monitor the performance of the wind farm, with preparation in advance for contingencies in case there are any material changes to the situation.

4. Revenue

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

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
Renewable obligation certificates	47,541,177	49,422,423
Sales of electricity	14,912,601	17,780,894
Other revenues	351,788	315,240
	62,805,566	67,518,557

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 fixed 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 2021

4. Revenue (continued)

Timing of revenue recognition from customers:

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
Over time	62,805,566	67,518,557

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 2021 £	For the year ended 31 March 2020 £
O&M service costs	10,687,525	10,735,923
Insurance fees	266,984	303,814
Auditors' remuneration	71,400	67,000
Professional fees	57,147	119,748
Tax advisory fees	22,380	20,800
Exchange loss	756	24,294
Others	919,238	1,271,945
	12,025,430	12,543,524

During the year, the Company incurred audit services amounting to £71,400 (2020: £67,000). No other fees were payable to the auditors.

6. Directors' emoluments and employee information

The Company has no employees (2020: no employees) other than the Directors. The Directors did not receive any emoluments in respect of their services to the Company (2020: nil).

7. Finance expenses

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
Interest and other expenses due to banks and other financial institutions	15,089,038	16,186,498
Unwinding of discount on provisions (Note 21)	375,345	363,418
Interest on finance leases	170,899	253,365
Recharged finance costs	87,999	86,672
	15,723,281	16,889,953

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

8. Finance income

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
Other interest income	1,107	-
Interest income on cash held with the bank	-	72,758
	<u>1,107</u>	<u>72,758</u>

9. Cost of sales

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
<i>Included in cost of sales:</i>		
Depreciation and amortisation	<u>15,728,957</u>	<u>15,654,591</u>

10. Components of OCI

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
Cash flow hedges:		
Gain / (loss) arising during the year		
Interest rate swaps	12,542,782	(7,803,713)
	<u>12,542,782</u>	<u>(7,803,713)</u>
Deferred tax	(2,014,304)	2,402,001
	<u>10,528,478</u>	<u>(5,401,712)</u>

11. Income tax expense

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
Current tax:		
Current tax on profit for the year	<u>760,020</u>	<u>683,746</u>
Deferred tax (Note 19):		
Current year	1,612,942	2,735,155
Adjustments in respect of prior years	2,436,198	-
Effects of changes in tax rates	466,780	(266,222)
Others	-	(1)
	<u>4,515,920</u>	<u>2,468,932</u>
Total tax expense	<u>5,275,940</u>	<u>3,152,678</u>

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

11. Income tax expense (continued)

Factors affecting tax expense for the year

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	For the year ended 31 March 2021 £	For the year ended 31 March 2020 £
Profit before tax	12,241,331	15,974,406
Tax on profit at standard UK tax rate of 19% (2020: 19%)	2,325,853	3,035,137
Effects of:		
Adjustments in respect of prior years	2,436,198	-
Expenses not deductible	47,109	-
Deferred tax not recognised on consolidation	-	(106,805)
Tax rate changes	466,780	(266,222)
Deferred tax liability on acquired goodwill	-	490,568
Total tax expense	5,275,940	3,152,678

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 UK Budget 2021 announcements on 3 March 2021 included measure to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to UK's main corporation tax rate to 25% which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence should not be reflected in the measurement of deferred tax balances at the year end.

Current tax payable / (receivable)	As at 31 March 2021 £	As at 31 March 2020 £
WMR JV Investco Limited	(134,436)	(661,526)
Project Companies	231,823	-
	97,387	(661,526)

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

12. Property, plant and equipment

	Freehold land	Right of use assets	Decommissio ning asset	Windfarm production assets	Total
	£	£	£	£	£
Cost					
At 1 April 2019	45,000	7,838,344	9,015,208	295,426,762	312,325,314
Disposals	-	-	-	(41,173)	(41,173)
Change in decommissioning estimate	-	-	(78,197)	-	(78,197)
At 31 March 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
Accumulated depreciation					
At 1 April 2019	-	-	(1,318,775)	(52,258,692)	(53,577,467)
Charge for the year	-	(382,358)	(384,741)	(12,305,557)	(13,072,656)
Eliminated on disposals	-	-	-	43,585	43,585
At 31 March 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)
Net book value					
At 31 March 2021	45,000	5,942,400	6,849,849	218,561,978	231,399,227
At 31 March 2020	45,000	7,455,986	7,233,495	230,864,925	245,599,406

The depreciation of property, plant and equipment and amortisation charge of intangible assets for the year amounting to £13,083,270 (2020: £13,072,656) and £2,645,687 (2020: £2,581,935) respectively 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 2021

14. Intangible assets

	Intangible assets	Goodwill	Total
	£	£	£
Cost			
At 1 April 2019	102,742,050	22,799,981	125,542,031
IPPA / deferred tax wind-down	(2,016,364)	-	(2,016,364)
At 31 March 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
Accumulated amortisation			
At 1 April 2019	(9,626,475)	-	(9,626,475)
Amortisation	(2,581,935)	-	(2,581,935)
At 31 March 2020	(12,208,410)	-	(12,208,410)
Amortisation	(2,645,687)	-	(2,645,687)
At 31 March 2021	(14,854,097)	-	(14,854,097)
Net book value			
At 31 March 2021	83,918,976	22,799,981	106,718,957
At 31 March 2020	88,517,276	22,799,981	111,317,257

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 Company has only one cash generating unit ("CGU"). Management has determined the CGU's recoverable amount by estimating the Fair value less cost to sell ("FVLCTS") due to the recent market observable trade price data. Cost to sell is estimated to be 2% of the fair value. FVLCTS has been estimated as £455,181,803 (2020: £635,114,064) while the reported carrying amount is £310,392,764 (2020: £314,242,824). 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 2021	As at 31 March 2020
	£	£
Accrued income	15,195,347	21,616,971
Prepayments	4,767,956	4,615,123
Amounts due from related parties (see note 26)	1,696,903	1,510,528
Trade receivables	518,393	483,384
Other receivables	517,567	971,170
	22,696,166	29,197,176

Decrease 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 2021

16. Cash and cash equivalents

	As at 31 March 2021 £	As at 31 March 2020 £
Cash held with the bank	9,169,498	8,555,916

Cash at bank amounted to £9,169,498 (2020: £8,555,916) 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 2021 £	As at 31 March 2020 £
Term loan	ii	LIBOR+1.55	LIBOR+1.55	15-Jun-33	17,068,900	15,866,650
Working capital facility	i	LIBOR+1.55-1.7%	LIBOR+1.55	On demand	10,000,000	10,000,000
					<u>27,068,900</u>	<u>25,866,650</u>
Non-current		Actual interest rate %	Effective interest rate %	Maturity	As at 31 March 2021 £	As at 31 March 2020 £
Term loan	i	LIBOR+1.55	LIBOR+1.55	15-Jun-33	281,231,185	298,300,085
Long term debt	ii	LIBOR+1.000%	LIBOR+1.000%	15-Dec-30	2,000	2,000
					<u>281,233,185</u>	<u>298,302,085</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 March 2021. As at 31 March 2021, the balance on this facility totalled £10,000,000 (2020: £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 December 2029. The maturity was extended to 15 June 2033. Repayments of £5,071,062, £3,477,958, £2,642,843 and £5,566,268 were made on 15 June 2020, 15 September 2020, 15 December 2020 and 15 March 2021, respectively. As at 31 March 2021, the balance of term loan amounted to £304,171,228 (2020: £320,929,358).
- (iii) This borrowing pertains to unsecured loan notes of £2,000 (2020: £2,000) which carry interest of LIBOR plus 1% mark-up and payable in full on 31 December 2030.

As the Company assessed the impact of IFRS 9 to hedge effectiveness, the hedged item creates an exposure to pay three-month Libor (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 2021

18. Trade and other payables

	As at 31 March 2021 £	As at 31 March 2020 £
Trade payables	1,695,988	1,699,869
Amounts due to related parties (see note 26)	952,082	1,299,427
Accrued expenses and other payables	13,679,974	14,939,657
	<u>16,328,044</u>	<u>17,938,953</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 2019	(11,511,570)
Adjustment in respect of prior years	-
Deferred tax charge in I/S for the year	(1,863,293)
Deferred tax credit to OCI for the year	2,402,001
At 31 March 2020	<u>(10,972,862)</u>
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	<u>(17,503,086)</u>

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 decommissioning and tax losses assets.

Deferred tax liabilities	Intangible assets £	PPE £
At 1 April 2019	(13,036,070)	(20,513,880)
Prior year adjustment	-	-
Provided during the year	605,639	144,619
At 31 March 2020	<u>(12,430,431)</u>	<u>(20,369,261)</u>
Prior year adjustment	(1,640,464)	(2,084,800)
Provided / (utilised) during the year	605,639	(3,004,778)
At 31 March 2021	<u>(13,465,256)</u>	<u>(25,458,839)</u>

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

19. Deferred tax (continued)

Deferred tax assets	Derivatives £	Losses £	Decommissioning £
At 1 April 2019	4,587,540	15,681,982	1,768,858
Provided / (utilised) during the year	1,043,415	(81,168)	(1,173,797)
At 31 March 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

Deferred tax assets have been offset against the deferred tax liabilities above with the exception of the deferred tax asset totalling £4,975,237 (2020: £6,612,732). The net deferred tax liability to be disclosed as non-current is therefore £21,768,860 (2020: £17,585,594).

The provision for deferred tax consists of the following:

Deferred tax assets	As at 31 March 2021 £	As at 31 March 2020 £
No more than 12 months after reporting year	-	904,303
More than 12 months after reporting year	4,975,237	5,708,429
Total provision	4,975,237	6,612,732

Deferred tax liabilities	As at 31 March 2021 £	As at 31 March 2020 £
No more than 12 months after reporting year	709,463	605,639
More than 12 months after reporting year	21,768,860	16,979,955
Total provision	22,478,323	17,585,594

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

20. Other financial liabilities

	As at 31 March 2021 £	As at 31 March 2020 £
Derivatives used for hedging		
Interest swaps contracts	26,185,456	36,787,056
Total fair value of hedging derivatives	26,185,456	36,787,056

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 (LIBOR) payable on the Generator term facility, the JBIC facility and the Transmission term facility.

i) Interest rate swaps agreements:

The Company entered into an interest rate swap agreements with a total notional amount of £314,084,070, settled three monthly from 15 December 2018 through 15 June 2033.

These agreements enable the Company to receive a variable rate of interest equal to LIBOR in exchange for the payment of a fixed rate of interest of: 2.84% and 1.8% for the swaps in relation to its term loan facility.

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 2021, a net unrealised loss of £26,185,456 (2020: £36,787,056) was included in OCI in respect of these contracts. The ineffectiveness recognised during the year was £nil (2020: £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 2021 £	Level 2 31 March 2021 £	Level 3 31 March 2021 £
Financial liabilities				
Interest swaps contracts	31 March 2021	-	26,185,456	-
	Date of valuation	Level 1 31 March 2020 £	Level 2 31 March 2020 £	Level 3 31 March 2020 £
Financial liabilities				
Interest swaps contracts	31 March 2020	-	36,787,056	-

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:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; and

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

20. Other financial liabilities (continued)

- capitalised income projections based upon a property'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.

21. Provision

Decommissioning provision	£
At 1 April 2019	10,405,045
Change in estimates	(34,613)
Unwinding of provisions	363,418
At 31 March 2020	10,733,850
Change in estimates	(23,652)
Unwinding of provisions	375,345
At 31 March 2021	11,085,543

The Decommissioning provision is calculated as the present value of estimated decommissioning costs using a discount rate of 3.5% (2020: 3.5%). Included within property, plant and equipment amounting to £5,942,400 (2020: £7,455,986) 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 2021 £	As at 31 March 2020 £
Long term lease liabilities	5,541,465	7,082,912
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.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

22. Leases (continued)

Right of use assets

	Seabed lease £	Right of use assets £
Carrying amount at 1 April 2019	7,838,344	7,838,344
Depreciation	(382,358)	(382,358)
Carrying amount at 31 March 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

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 2021 £	31 March 2020 £
Within one year	451,000	467,000
After one year but not more than five years	1,802,000	1,868,000
More than five years	5,970,000	6,771,500
Total lease liabilities (undiscounted)	8,223,000	9,106,500

Total cash outflows related to leases

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

	31 March 2021 £	31 March 2020 £
Lease payments	840,517	752,651

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 £389,941 (2020: £302,075).

23. Commitments and contingencies

Capital commitments

At 31 March 2021, the Company had capital commitments totalling £nil (2020: £nil) in relation to the construction of Westernmost Rough wind farm assets.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

24. Issued capital

	Par value per share £	As at 31 March 2021 £	As at 31 March 2020 £
Authorised, fully paid and issued shares: 10,570,848 shares (2020: 10,570,848 shares)	1	10,570,848 <u>10,570,848</u>	10,570,848 <u>10,570,848</u>

25. Reserves

	Cash flow hedging reserve £	Deferred tax on derivatives £	Retained earnings / (Accumulated losses) £
At 1 April 2019	(24,957,416)	4,587,540	20,575,349
Profit for the year	-	-	12,821,728
Other comprehensive loss for the year	(7,803,713)	2,402,001	-
Dividends declared during the year	-	-	(31,000,000)
At 31 March 2020	(32,761,129)	6,989,541	2,397,077
Profit for the year	-	-	6,965,391
Other comprehensive income 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)

During the year, a dividend of £20,200,000 (2020: £31,000,000) with a nominal value of £1.91 (2020: £2.93) per share 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.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

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 £
		<i>(Orsted Power UK Ltd & Others)</i>	<i>(Orsted)</i>	<i>(Orsted Power UK Ltd & Others)</i>
Fellow undertakings				
31 March 2021	11,300	10,938,266	1,696,903	952,082
31 March 2020	-	9,813,323	1,510,528	1,299,427

27. Risk management and financial instruments

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

	As at 31 March 2021 Carrying amount £	As at 31 March 2020 Carrying amount £
Financial assets		
<i>Amortised cost:</i>		
Cash and cash equivalents	9,169,498	8,555,916
Trade and other receivables (excluding prepayments)	17,928,210	24,582,053
Total financial assets	27,097,708	33,137,969
Financial liabilities		
<i>Other financial liabilities at amortised cost:</i>		
Trade and other payables	(16,328,044)	(17,938,953)
Interest bearing loans and borrowings	(308,302,085)	(324,168,735)
Lease liabilities	(5,992,041)	(7,533,488)
<i>Derivatives used for hedging:</i>		
Interest rate swap contracts	(26,185,456)	(36,787,056)
Total financial liabilities	(356,807,626)	(386,428,232)

The carrying amounts of Company's financial assets and financial liabilities, other than derivatives, as at 31 March 2021 and 2020, as presented in the table above, are assumed to approximate their fair values, as the impact of discounting is considered insignificant.

None of these financial assets is either past due or impaired during the year (2020: same).

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

27. Risk management and financial instruments (continued)

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:

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 2021, after taking into account the effect of interest rate swaps, approximately 90% (2020: 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 2021	(121,324)	121,324
31 March 2020	(132,257)	132,257

Interest rate swaps

At 31 March 2021, the Company had interest rate swap agreements in place for its loans whereby it pays a fixed rate of interest of 2.8% and 1.8% and receives a variable rate equal to LIBOR on the notional amount. The fair value of the interest rate swaps at 31 March 2021 is a total liability of £26,185,456 (2020: £36,787,056) and is being used to hedge the exposure to changes in LIBOR 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.

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

27. Risk management and financial instruments (continued)

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.

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 2021	£	£	£	£	£
Interest bearing loans and borrowings	15,823,119	12,089,445	87,026,065	199,234,599	314,173,228
Trade and other payables	16,328,044	-	-	-	16,328,044
Interest rate swap contracts	-	-	-	26,185,456	26,185,456
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

	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31 March 2020	£	£	£	£	£
Interest bearing loans and borrowings	15,071,062	11,687,068	82,074,704	222,098,524	330,931,358
Trade and other payables	17,938,953	-	-	-	17,938,953
Interest rate swap contracts	-	-	-	36,787,056	36,787,056
Lease liabilities	-	467,000	1,868,000	6,771,500	9,106,500
Total financial liabilities	33,010,015	12,154,068	83,942,704	265,657,080	394,763,867

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 2021

27. Risk management and financial instruments (continued)

Credit risk (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 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
	< 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
31 March 2020					
Cash and cash equivalents	8,555,916	-	-	-	8,555,916
Trade and other receivables (excluding prepayments)	26,092,581	-	-	-	26,092,581
Total financial liabilities	34,648,497	-	-	-	34,648,497

Financial assets are not past due and impaired (2020: 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 2021, the gearing ratio is 112% (2020: 105%).

WMR JV Investco Limited

Notes to the financial statements (continued) for the year ended 31 March 2021

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.

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, 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

On 26 May 2021, a Special Resolution was approved for the declaration of a dividend of £4,400,000. The funds were distributed to the shareholder, WMR JV Holdco Limited, being the immediate parent undertaking. The directors also approved a Special Resolution dated 10 February 2022 for the declaration of an interim dividend of £7,000,000 to its shareholder, WMR JV Holdco Limited.

Subsea inspections have recently taken place to better understand the condition of the cable protection system at the wind farm. Some damage has been identified and the Company is working with Orsted, the operator, to assess what if any remedial action is required. This will involve a review of insurances and warranties. There is a possibility we will carry out works offshore to stabilise the cables and limit movement.

The performance at the Westermest Rough (WMR) offshore wind farm has so far not been affected by the ongoing COVID-19 situation. Orsted, the strategic partner managing the operation and maintenance (O&M) of the wind farm, is following its robust business continuity plan for dealing with pandemics (Orsted already had a pandemic plan in place well in advance, in preparation for situations such as COVID-19), and is currently expected to be able to continue delivering its O&M performance under the COVID-19 situation. In line with this, there is also no valuation impact expected with regards to the COVID-19 situation during the year. That being said, Company will continue to closely monitor the performance of the wind farm, with preparation in advance for contingencies in case there are any material changes to the situation.

Given that the operational performance of the wind farm has so far not been materially affected by COVID-19, there is currently no material financial impact expected on the wind farm arising from operational issues. As an indirect consequence of COVID-19, the market power price may be affected alongside reduced demand linked to reduced business activities in the UK. However, this is so far not expected to have a material impact on long-term power prices. Potential volatility in shorter term power prices would also be partly mitigated by the wind farm's revenue structure (largely fixed due to the Renewable Obligation Certificate and Power Purchase Agreement floor price) plus the benefits from higher wind resources experienced during the year.