Company Registration No. 09756678 (England and Wales)

GALLOPER WIND FARM HOLDING COMPANY LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

GALLOPER WIND FARM HOLDING COMPANY LIMITED

COMPANY INFORMATION

Directors	J Cavanagh	(Appointed 6 July 2022)
	R Crowhurst	(Appointed 23 March 2022)
	J Duffy	
	E Farrell	(Appointed 16 June 2022)
	P Lennon	
	T Lyon	
	C Mertens	
	K Moeller	
	L Shead	
	M Turnwald	
Company secretaries	P Sainsbury	
	A Broster	
Company number	09756678	
Registered office	Windmill Hill Business Park	
	Whitehill Way	
	Swindon	
	Wiltshire	
	United Kingdom	
	SN5 6PB	
Independent auditors	PricewaterhouseCoopers LLP	
	Chartered Accountants and Statutory Auditors	
	1 Embankment Place	
	London	
	United Kingdom	
	WC2N 6RH	

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONTENTS

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

Fair review of the business
The Galloper project is located off the Suffolk coast and was awarded development rights by The Crown Estate in May 2010. Construction of the project began in November 2015 and was fully complete and inaugurated on 28 September 2018. Generation commenced on 5 November 2017, with all turbines fully commissioned by 17 April 2018.

The results for the year are presented on page 12 of the financial statements. The financial position of the group as at 31 December 2021 is provided on pages 14 - 15 of the financial statements.

Given the nature of the business, the group's directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the business are net assets, revenue and results after tax. These are shown below.

The group's key financial and other performance indicators during the year were as follows:

	2021	2020
	£000	£000
Revenue	285,000	189,495
Profit for the financial year	95,053	39,649
Net assets/(liabilities)	56,365	(25,339)

Profit for the year was higher than the prior year primarily due to increased revenues from significantly higher energy prices offset by a lower volume of electricity generated which is attributed to low wind resource and wind speed in 2021.

The group generated 1,431 GWh of electricity in 2021 (2020: 1,574 GWh) and received an average price of £96/ MWh (2020: £29/MWh).

Principal risks and uncertainties
The principal risk and uncertainty facing the business is that a decrease in average wind speeds below expectations, or a poor yield as a result of grid or turbine outages, could have a negative impact on revenues and cash flows. Yield risk is managed using yield incentives to contractors, and wind speed risk is monitored by measuring against long term averages.

Brexit
Risks to the group resulting from the UK's departure from the EU in 2020 are not considered significant. The introduction of new customs procedures has not had a significant impact on the sourcing of key components or spares, and the residual risk of future changes to tariffs continues to be monitored. Changes to economic forecast assumptions resulting from Brexit such as power prices, foreign exchange, inflation, interest rates and economic growth have been factored into the group's cash flow and dividend forecasts.

Risks related to climate change
The group is exposed to direct and indirect long-term risks related to the effects of climate change, such as a fall in average wind speeds, more frequent and intense weather events, and rising sea levels. Assets procured and constructed by the group have been tested to withstand extreme weather conditions, and the financial risk of property damage and business interruption is mitigated by insuring assets and revenues where possible. The group monitors average wind speeds on a year-on-year basis, which informs its long-term cash flow forecasts. The output of the wind farm contributes to the growing proportion of renewable energy generated in the UK, aligned with the UK government's Net Zero strategy.

Current market and political risks
Significant uncertainty exists following the Russian invasion of Ukraine in February 2022. Many countries including the UK imposed economic sanctions on Russia. Uncertainty concerning commodity deliveries from Russia has caused a significant increase in gas and electricity prices. In some European countries, including the UK, governments are working on measures to reduce dependency on Russian oil and gas imports. It is not possible to predict the development of the Ukraine conflict or its consequences. The group has no business relationships with Russian or Ukrainian companies and is not exposed to direct risks to its activities arising from the conflict or the economic sanctions.

Over the course of the past year, prices quoted in the electricity forward market hit an all-time high. As a result, the earnings prospects of the wind farm have become more favourable. If limits are placed on Russian natural gas imports in the long term due to the Ukraine conflict, then energy prices may remain high. However, the crisis puts economic growth at risk and, should energy prices remain very high due to the Ukraine conflict, the UK economy may prove less robust than previously foreseen, with recent economic predictions downgraded compared to the end of 2021. There is a risk that an economic recession will put downward pressure on electricity prices later in 2022 and into 2023. The directors monitor the impact of the electricity prices on the group's revenue earnings and cash position.

As a result of both the crisis in Ukraine and global industrial contraction during the pandemic, inflation is predicted to increase in the short-to-medium term. The directors anticipate that this will adversely affect the prices at which the group procures goods and services, including through index-linked contracts, and have factored this into the business plan and forecasts.

Statement by the directors of the company regarding their duty under s172(1) Companies Act 2006

The Board of Galloper Wind Farm Holding Company Limited believe they have acted in the manner most likely to promote the success of the company for the benefit of its members as a whole having a regard to the matters set out in s172(1)(a-f) of the Companies Act 2006.

Galloper Wind Farm Holding Company Limited is the HoldCo and Galloper Wind Farm Limited is the subsidiary OpCo. They are managed together as a group and the operational references below relate to the group.

The following important matters have been directly addressed:

Likely consequence of long term decisions

- The group generates profits through the operation and maintenance of an offshore wind farm.
- As described further in the fair review of the business above the directors have continued with this business strategy by approving the budget for 2022 and plan for the following years.
- The directors have approved the payment of dividends totalling £39,000k during the year, and dividends totalling £70,000k in 2022 up to the date of this report, having taken into consideration the interest of the company's members as laid out in the shareholders' agreement, the future funding requirements of the business and the agreed business plan and financial model.

Employee engagement

- Other than the directors, there are no employees of the group. However, the company carefully considers the health and welfare of onsite contractors with the regular Health and Safety report reviewed at all Board meetings.

Business relationships

- *When dealing with suppliers, the group follows the code of conduct of its service provider,* RWE Renewables UK Swindon Limited, and expects business partners to accept the principles set out in that code. Private interests should remain separate to those of the group and no representative should solicit or accept monetary benefits from third parties.
- The health and safety of employees and contractors on the group's sites is vitally important. Contractors working on wind farm sites are therefore expected to sign up to and follow the service provider's HSE Requirements. The Board regularly reviews Health and Safety reporting during the company Board meetings and takes action as required.
- The group supports suppliers by paying promptly in line with the terms agreed between the parties.
- The group strictly follows Power Purchase Agreements for the sale of its electrical output as agreed with its customers, Statkraft Markets GMBH and RWE Renewables UK Swindon Limited and thereby maintains good business relations.

Community and the environment

- During 2021 the group contributed £35k to local community funds and is an active participant in the local community through involvement with local schools and educational initiatives.
- The £50,000 Galloper Community Fund through Essex Community Foundation was established in 2018, runs for 5 years and welcomes applications that support charitable, education and environmental activities in the Harwich area.
- The group has encouraged and supported a team of 13-14 year old students from Harwich and Dovercourt High School to produce contemporary artwork which will hang in the reception at Galloper's operations and maintenance base in Harwich and will also be exhibited at the Harwich Arts and Heritage Centre in 2022.
- The group service provider, RWE Renewables UK Swindon Limited, currently employs 4 Galloper allocated apprentices, of which 1 started in 2021 and is seeking to recruit another in 2022.
- Sponsorships play a key role in community relations, so ad-hoc requests are considered, and relevant opportunities are also sought proactively to ensure an appropriate balance and mix of initiatives.
- All of this activity is considered in line with the Galloper Sponsorship & Education Plan which is updated annually.
- The group is dedicated to generating electricity using sustainable energy resources. As part of this project, the group have worked with local authorities to ensure adequate and appropriate wildlife conservation steps are in place to promote and protect the local ecology.

Maintaining high business standards

- The Board are aware of their social role and responsibility towards customers, business partners, shareholders and the wider stakeholder community. The group is committed to conducting business with integrity, being respectful to others and the environment, and in compliance with the law.

Act fairly between members

- The directors have implemented and follow a comprehensive shareholders' agreement that details how the group acts fairly in the interest of all its members. Investors are kept informed through regular management reporting and representation at Board meetings as entitled under the shareholders' agreement.
- In addition there is a management services agreement in place that dictates how the service provider, RWE Renewables UK Swindon Limited, provides services to the group. This agreement is strictly followed in order to avoid conflicts of interest.

Approved by the Board of Directors on 26 September 2022 and signed on its behalf by

R Crowhurst
Director
26 September 2022

The directors present their Annual Report and the consolidated audited financial statements of the group for the year ended 31 December 2021.

Principal activities

The principal activity of the company is as a holding company. The company's wholly owned subsidiary is operating the Galloper wind farm, which is situated off the Suffolk coast.

Results and dividends

The results for the year are set out on page 12.

During the year the directors proposed and paid ordinary dividends of £39,000k relating to the earnings of the company in the year ended 31 December 2020 and in the 6 months ended 30 June 2021. In January 2022, the directors proposed and paid ordinary dividends of £70,000k relating to the earnings of the company in the 6 months ended 31 December 2021.

Directors

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

J Cavanagh	(Appointed 6 July 2022)
R Crowhurst	(Appointed 23 March 2022)
J Duffy	
E Eisenberg	(Resigned 17 February 2021)
D Farrell	(Resigned 16 June 2022)
E Farrell	(Appointed 16 June 2022)
R Hoffs	(Resigned 2 July 2021)
P Lennon	
T Lyon	
C Mertens	
K Moeller	
S Prousch	(Resigned 22 March 2022)
C Schrimpf	(Resigned 6 July 2022)
L Shead	
M Turnwald	

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date and at the date of approval of the financial statements.

Directors' insurance

Insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company are maintained by each shareholder.

Financial instruments

Financial risk management

Objectives and policies

The financial risk management and policies of the company are disclosed in the note to the financial statements dealing with financial risk management and impairment of financial assets.

Post reporting date events

Following the decision by financial regulators on interest rate benchmarking reform, the company commenced its IBOR transition plan to transition from GBP LIBOR to SONIA during 2021. This transition was completed during March 2022. The transition included changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The areas of greatest change related to amendments to the contractual terms of its LIBOR referenced floating-rate swaps, and updating its hedge designations. The transition to SONIA has had no significant effect on its cash flows or profits (refer to Note 22 for information on IBOR reform).

On 23 September 2022, the UK Government announced that the main rate of corporation tax would no longer increase to 25% with effect from 1 April 2023, but would instead stay at 19%. This change was not substantively enacted by the balance sheet date and therefore the deferred tax remains measured at 25%. Had the change been enacted, this would have reduced the deferred tax charge for the year in the income statement by £18,206,275 and increased the deferred tax charge in other comprehensive income by £3,123,380. It would also have reduced both the deferred tax asset as at 31 December by £5,777,438 and the deferred tax liability by £20,860,333.

Future developments

The company will continue to operate the wind farm for the foreseeable future.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as independent auditors of the company in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

Environmental report

Energy Consumption and GHG Emissions

The tables below show the group's total UK greenhouse gas (GHG) emissions and energy consumption for the year ended 31 December 2021 in line with the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements. The group produced a total of 3,526.14 tonnes of CO2 equivalent (tCO2e) in the year ended 31 December 2021 – a reduction of 14.04% tCO2e when compared to the baseline year, 2020.

Energy Consumed

Name & Description	**Units**	**2021**	**2020**
Fuel used for heating (Owned Buildings)	kWh	80,197	88,577
Fuel used in transport (Vessels & site vehicle)	kWh	11,579,811	13,229,908
Electricity (Owned Buildings & Energy Imports)	kWh	1,838,280	1,929,134
Total Energy Consumed	kWh	13,498,288	15,247,619
Total renewable generation output	GWh	1,431	1,583

A 9.60% decrease in total renewable energy generation output was observed in 2021, compared to the baseline year. This is attributed to low wind resource and wind speed in 2021.

GHG Emissions Breakdown

Summary of Scope 1 (Direct) GHG emissions for the year ended 31 December 2021.

Name & Description	**Units**	**2021**	**2020**
Fuel used for heating (Owned Buildings)	tCO2e	18.47	16.35
Fuel used in transport (Vessels)	tCO2e	3,120.58	3,635.21
Fuel used in transport (Site vehicle)	tCO2e	0.76	0.94
Total Scope 1 emissions	tCO2e	3,139.81	3,652.50

Fuel used for heating in 2020 was partly from estimated data, but for the current reporting year the entity reports measured and metered data. A 12.86% increase was observed in LPG consumption which has led to the increase in emissions reported. This is likely due to the increase in staff returning to use the office facilities and the opening of an onsite gym.

Summary of Scope 2 (Indirect) GHG emissions for the year ended 31 December 2021.

Name & Description	**Units**	**2021**	**2020**
Electricity used in buildings & onshore assets	tCO2e	64.79	57.77
Electricity imports to offshore assets	tCO2e	321.54	391.99
Total Scope 2 emissions	tCO2e	386.33	449.76

Electricity consumption in 2020 was partly from estimated data, but for the current reporting year the entity reports measured and metered data. Despite only a 4.71% decrease in total electricity usage observed in the raw data, a 14.10% decrease is observed in the total Scope 2 emissions. This is due to the difference in the conversion factor used in the baseline year compared to the current year, which is based on a one-year grid average for the UK.

Scope 3 emissions have not been reported.

Carbon Intensity Ratio

For the year ended 31 December 2021, the group reports a carbon intensity ratio of 2.46 gCO2e per kWh electricity generated – a decrease of 4.94% since the baseline year. This decrease is attributed to the overall decrease in emissions, despite the decrease in renewable energy output.

Baseline Year

The data for the year ended 31 December 2020 represents the group's first disclosure under the SECR requirements and shall continue to be used as the baseline year to enable tracking of data trends and performance against targets against future reporting years.

Energy Efficiency Measures

The vessels the group utilises are leased which reduces the scope for the group to make energy efficiency improvements. The group has trialled fuel reduction activities such as reduced engine use when not completing transfers of personnel offshore. Monitoring includes monthly fuel consumption by the vessel owners and a Marine and Logistics Manager monitors the fuel bunkered. A vessel fuel reduction target has been set for 2022.

The Galloper Wind Farm Operations and Maintenance Base is an EPC 'B' rated energy efficient building, with motion-sensor LED lighting, air-source heat pumps, enhanced insulation and air tightness, and window shading/ tinting in some locations.

The building maintenance system monitors energy consumption to indicate areas of concern. Existing energy efficient activities will be maintained in 2022. There are also six electric vehicle car charging points. The installation of further EV chargers and/or solar PV is being considered.

Progress Against Targets

The data for the period 01 January 2020 to 31 December 2020 represents the group's first disclosure under the SECR requirements and therefore targets for energy efficiency shall seek to reduce energy consumption against the 2020 baseline in subsequent reporting years.

RWE Renewables UK Swindon Limited is the operator of the Galloper wind farm. RWE AG has set Science-based Targets, including a commitment to Net Zero emissions by 2040 and a reduction of specific Scope 1 and 2 emissions by 2030. RWE Renewables UK Swindon Limited is currently developing a strategy for its offshore operational portfolio to ensure alignment with these targets.

Methodology

Method for Data Collection, Calculations & Data Sources

The group has collated its GHG emissions and energy consumption in line with the UK Government Department for Business, Energy and Industrial Strategy (BEIS) Environmental Reporting Guidelines and GHG Protocol. GHG emissions are classified in accordance with these standards.

Direct GHG emissions (Scope 1) include GHG emissions from sources that are owned or controlled by the group.

Indirect GHG Emissions (Scope 2) include GHG emissions from the generation of purchased electricity. Purchased heat and steam are not applicable to this group.

The BEIS 'Greenhouse gas reporting: conversion factors 2021' were used to convert data to tCO2e and kWh, as required.

The most appropriate metric for calculation of the carbon intensity ratio, is the output from the group's electricity generation activities (kWh). To calculate the energy intensity ratio (gCO2e/kWh), the group's scope 1 and 2 GHG emissions have been divided by its electricity generation output for the year ended 31 December 2021.

Uncertainties and areas for data improvement

The COVID-19 pandemic is likely to have affected the group's emissions due to changes in normal activities of the wind farm. The group will consider recalculation of the baseline in the subsequent reporting year. Future inclusion of Scope 3 emissions will be considered.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the 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.

Going concern

The directors have fully considered the risks and uncertainties of the company's cash flow forecasts and projections.

The going concern basis is considered to be appropriate by the directors as the company's financial obligations are forecast to be covered by operational cash flows.

On this basis, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

The COVID-19 pandemic, which has persisted for more than two years, continues to expose the company to risks, although the risks are considered to be manageable, primarily as a result of successful vaccination programmes. Supply chain pressures and periods of staff absence from the company's service providers have not materially affected the reliable operation and availability level of the wind farm. As a result of comprehensive preventive measures and contingency plans, the company and its service providers have been able to continue operating effectively and profitably, and the directors are confident that the company can continue to do so for the foreseeable future.

On behalf of the board

R Crowhurst
Director

26 September 2022

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GALLOPER WIND FARM HOLDING COMPANY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Galloper Wind Farm Holding Company Limited's group financial statements and company financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position and the Company statement of financial position as at 31 December 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated statement of cash flows, and the Company statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities 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 group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding and evaluating controls designed to prevent and detect irregularities and fraud;
- Assessing significant judgements and estimates; and
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

James Cadzow

James Cadzow (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 September 2022

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Revenue		285,000	189,495
Cost of sales		(105,631)	(100,853)
Gross profit		179,369	88,642
Other operating income		227	-
Administrative expense		(3,501)	(189)
Other gains and losses	4	(483)	(277)
Operating profit	5	175,612	88,176
Finance income	8	-	34
Finance costs	9	(35,253)	(38,888)
Profit before taxation		140,359	49,322
Income tax expense	10	(45,306)	(9,673)
Profit for the year		95,053	39,649
Profit attributable to:			
Owners of the company		95,053	39,649

The income statement has been prepared on the basis that all operations are continuing operations.

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Profit for the year	95,053	39,649
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss		
Cash flow hedges:		
- Hedging gain/(loss) arising in the year	51,269	(29,378)
Tax relating to items that may be reclassified	(6,618)	7,061
Total items that may be reclassified to profit or loss	44,651	(22,317)
Total comprehensive income for the year	139,704	17,332
Total comprehensive income attributable to:		
Owners of the company	139,704	17,332

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Goodwill	**12**	196	196
Intangible assets	**12**	38,957	41,006
Property, plant and equipment	**13**	969,147	1,019,782
Deferred tax asset	**25**	24,073	34,231
		1,032,373	1,095,215
Current assets			
Trade and other receivables	**17**	98,305	65,346
Cash and cash equivalents		85,118	33,109
		183,423	98,455
Current liabilities			
Trade and other payables	**23**	18,927	16,952
Current tax liabilities		5,736	-
Borrowings	**19**	68,491	66,945
Lease liabilities	**24**	918	869
Derivative financial instruments	**16**	9,974	16,161
		104,046	100,927
Net current assets/(liabilities)		79,377	(2,472)
Non-current liabilities			
Trade and other payables	**23**	9,973	15,000
Borrowings	**19**	806,185	852,536
Lease liabilities	**24**	27,790	28,156
Deferred tax liabilities	**25**	86,918	50,888
Long term provisions	**26**	83,537	83,343
Derivative financial instruments	**16**	40,982	88,159
		1,055,385	1,118,082
Net assets/(liabilities)		56,365	(25,339)
Equity			
Called up share capital	**27**	2,356	2,356
Share premium account	**28**	32,201	51,201
Other reserves	**30**	(33,112)	(33,112)
Hedging reserve	**29**	(39,042)	(83,693)
Retained earnings		93,962	37,909
Total equity		56,365	(25,339)

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 26 September 2022 and are signed on its behalf by:

R Crowhurst
Director

Company Registration No. 09756678

GALLOPER WIND FARM HOLDING COMPANY LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Investments	**14**	70,019	89,019
Total assets		70,019	89,019
Total liabilities		-	-
Net assets		70,019	89,019
Equity			
Called up share capital	**27**	2,356	2,356
Share premium account	**28**	32,201	51,201
Other reserves	**30**	35,462	35,462
Total equity		70,019	89,019

The company made a profit of £39,000k in the year (2020: £33,800k).

The financial statements were approved by the board of directors and authorised for issue on 26 September 2022 and are signed on its behalf by:

R Crowhurst
Director

Company Registration No. 09756678

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Called up share capital £000	Share premium account £000	Hedging reserve £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2020		2,356	123,201	(61,376)	(33,112)	32,060	63,129
Year ended 31 December 2020:							
Profit for the year		-	-	-	-	39,649	39,649
Other comprehensive expense:							
Cash flow hedges losses		-	-	(29,378)	-	-	(29,378)
Tax relating to other comprehensive expense		-	-	7,061	-	-	7,061
Total comprehensive income for the year		-	-	(22,317)	-	39,649	17,332
Dividends	11	-	-	-	-	(33,800)	(33,800)
Redemption of shares	28	-	(72,000)	-	-	-	(72,000)
Balance at 31 December 2020		2,356	51,201	(83,693)	(33,112)	37,909	(25,339)
Year ended 31 December 2021:							
Profit for the year		-	-	-	-	95,053	95,053
Other comprehensive income:							
Cash flow hedges gains		-	-	51,269	-	-	51,269
Tax relating to other comprehensive income		-	-	(6,618)	-	-	(6,618)
Total comprehensive income for the year		-	-	44,651	-	95,053	139,704
Dividends	11	-	-	-	-	(39,000)	(39,000)
Repayment of share capital	28	-	(19,000)	-	-	-	(19,000)
Balance at 31 December 2021		2,356	32,201	(39,042)	(33,112)	93,962	56,365

GALLOPER WIND FARM HOLDING COMPANY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Called up share capital £000	Share *premium* account £000	Other *reserves* £000	Retained *earnings* £000	Total £000
Balance at 1 January 2020		2,356	123,201	35,462	-	161,019
Year ended 31 December 2020:						
Profit and total comprehensive income for the year		-	-	-	33,800	33,800
Dividends	**11**	-	-	-	(33,800)	(33,800)
Repayment of share capital	**28**	-	(72,000)	-	-	(72,000)
Balance at 31 December 2020		2,356	51,201	35,462	-	89,019
Year ended 31 December 2021:						
Profit and total comprehensive income for the year		-	-	-	39,000	39,000
Dividends	**11**	-	-	-	(39,000)	(39,000)
Repayment of share capital	**28**	-	(19,000)	-	-	(19,000)
Balance at 31 December 2021		2,356	32,201	35,462	-	70,019

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
Cash flows generated from operating activities	**£000**	**£000**
Profit before tax for the year	140,359	49,322
Adjustments for		
Depreciation and amortisation	52,390	53,326
Financial instrument net losses through profit and loss	275	275
Interest of bank loans	32,389	35,116
Amortisation of debt transaction costs	1,091	1,260
Unwind of discount on provisions and long term liabilities	708	1,435
Finance income	-	(34)
Lease finance costs	1,061	1,072
Cash generated from operations	228,273	141,772
Interest paid on bank loans	(34,755)	(38,345)
Interest paid on leases	(1,061)	(1,072)
Interest paid on bank loans and leases	(35,816)	(39,417)
Working capital adjustments		
(Increase)/Decrease in trade and other receivables	(32,959)	48,655
Increase/(Decrease) in trade and other payables	2,819	(711)
Net cash flow generated from operating activities	162,317	150,299
Cash flows (used in)/generated from investing activities		
Interest received	-	34
Acquisitions of property, plant and equipment	(5,532)	(8,550)
Proceeds from disposal of asset held for sale	-	281,779
Net cash flows (used in)/generated from investing activities	(5,532)	273,263
Cash flows used in financing activities		
Repayment of share capital	(19,000)	(72,000)
Repayment of bank borrowings	(45,903)	(288,418)
Principal elements of lease payments	(873)	(828)
Dividends paid	(39,000)	(33,800)
Net cash flows used in financing activities	(104,776)	(395,046)
Net increase in cash and cash equivalents	52,009	28,516
Cash and cash equivalents at 1 January	33,109	4,593
Cash and cash equivalents at 31 December	85,118	33,109

GALLOPER WIND FARM HOLDING COMPANY LIMITED

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Cash flows generated from/(used in) operating activities		
Profit before tax for the year	39,000	33,800
Adjustments for		
Dividends received	(39,000)	(33,800)
Net cash flow generated from operating activities	-	-
Cash flows generated from investing activities		
Dividends received	39,000	33,800
Net cash flows generated from investing activities	39,000	33,800
Cash flows used in financing activities		
Dividends paid	(39,000)	(33,800)
Net cash flows used in financing activities	(39,000)	(33,800)
Net decrease in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	-	-

1 Accounting policies

Company information

Galloper Wind Farm Holding Company Limited is a private company, limited by shares incorporated and domiciled in the United Kingdom. The registered office is Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, United Kingdom, SN5 6PB. The company's principal activities and nature of its operations are disclosed in the Directors' report.

1.1 Accounting convention

The consolidated and company financial statements been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards, except as otherwise stated.

The company has taken advantage of section 408 of the Companies Act 2006 and therefore the separate financial statements of the company do not include the income statement or the statement of comprehensive income of the company on a stand-alone basis.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of financial assets and financial liabilities held at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Going concern

The directors have fully considered the risks and uncertainties of the company's cash flow forecasts and projections.

The going concern basis is considered to be appropriate by the directors as the company is in a net current asset position and financial obligations are forecast to be covered by operational cash flows.

On this basis, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from date of signing. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

The COVID-19 pandemic, which has persisted for more than two years, continues to expose the company to risks, although the risks are considered to be manageable, primarily as a result of successful vaccination programmes. Supply chain pressures and periods of staff absence from the company's service providers have not materially affected the reliable operation and availability level of the wind farm. As a result of comprehensive preventive measures and contingency plans, the company and its service providers have been able to continue operating effectively and profitably, and the directors are confident that the company can continue to do so for the foreseeable future.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking drawn up to 31 December 2021.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

1 Accounting policies **(Continued)**

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiary, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

The accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group.

1.3 Revenue

Revenue recognised consists of revenues from contracts with customers recognised in line with IFRS 15.

Revenue from contracts with customers comprises the fair value of the consideration received or receivable in respect of the invoiced and accrued value of generated electricity and Renewable Obligations Certificates (ROCs).

Revenue represents income from power purchase agreements and ROC transfer agreements relating to the generation of electricity from the wind farm site. Revenue comprises the value of units and ROCs supplied during the year and is recognised when the performance obligation has been satisfied, which is when the electricity is delivered. Units of electricity are determined by energy volumes recorded on the wind farm meters and market settlement systems. ROCs granted to the company are recognised when eligible electricity is generated and is immediately transferable to the customer. Revenue is measured based on the consideration specified in a contract with a customer (transaction price) and excludes amounts collected on behalf of third parties, i.e. VAT. Variable consideration is recognised in revenue when it is highly probably that the revenue will not be reversed in subsequent periods. The consideration for the power is due when the actual power is delivered to the customer.

Revenue is generated entirely within the United Kingdom.

Other operating income

Other operating income comprises compensation related to goods and services provided by the group and income which is incidental to the group's principal business activities.

1.4 Goodwill

Goodwill is measured as set out in the basis of consolidation note above. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1 Accounting policies **(Continued)**

1.5 Intangible assets other than goodwill

Intangible assets relate to the rights, licences and development costs incurred prior to the construction of the Galloper Wind Farm. Development expenditure is written off as incurred except where the directors are satisfied that the project under development has sufficient likelihood to generate future economic benefits. In such cases the identifiable expenditure is capitalised as an intangible asset until commencement of construction. Subsequent expenditure is then capitalised as tangible fixed assets. Provision is made for any impairment.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Wind farm development costs	Straight line over 23 years

1.6 Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation of property, plant and equipment is provided on a straight line basis to write off the cost less the estimated residual value of the assets by equal instalments over their estimated useful economic life as follows:

Motor vehicles	Straight line over 5 years
Wind Farm	Straight line over 23 years
Decommissioning Asset	Straight line over 23 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1 Accounting policies **(Continued)**

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, 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 (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.9 Financial assets

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

Financial assets are classified as held at amortised cost or at fair value through other comprehensive income unless conditions for classification as such are not met, in which case financial assets are classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included in the appropriate line item depending on the nature of the asset within the income statement for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

1 Accounting policies **(Continued)**

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognise changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognised initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognised or its fair value substantially decreased. Dividends are recognised as finance income in profit or loss.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For trade receivables and contract assets, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables – see note 17.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

The group recognises financial debt when the group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

1 Accounting policies **(Continued)**

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

Hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently 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 group designates all derivatives as hedges of specific risks associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the group 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 group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 16, Derivative financial instruments. Movements in the hedging reserve in shareholders' equity are shown in note 29, Cash flow hedging reserve and note 22, Hedging instruments. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1 Accounting policies **(Continued)**

Cash flow hedges that qualify for hedge accounting
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement, within other gains and losses.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset, typically property, plant and equipment, the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognised in the income statement as the hedged item affects profit or loss, typically through depreciation. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the income statement.

Descriptions of the hedging instruments used and how they are used to hedge risk exposures are included in note 20, Financial risk management and impairment of assets. Descriptions of how the group makes assessments of hedge effectiveness, how the group establishes the hedge ratio, and the potential sources of ineffectiveness are included in note 22, Hedging instruments.

1.12 Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised through profit or loss, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Current tax
The current income tax charge is calculated on the basis of the laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income.

Deferred tax
Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

1 Accounting policies (Continued)

1.13 Provisions

A provision is made for the decommissioning of the Galloper wind farm based on an assessment of the current cost of decommissioning. Decommissioning is expected to take place in 2041.

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

1.14 Leases

At inception, thegroup assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the groups's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

2 Adoption of new and revised standards and changes in accounting policies

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

COVID-19-Related Rent Concessions – amendments to IFRS 16, and
Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The interest Rate Benchmark Reform – Phase 2 amendments have impacted the group and further details can be found in note 22.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards which are in issue but not yet effective

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

3 Critical accounting estimates and judgements

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Renewable Obligation Certificate (ROC) recycle revenue

The group has accrued for Renewables Obligation Certificates ('ROC') recycle revenue in the year. There is a high degree of estimation involved when accruing for expected ROC recycle revenue. The key estimate surrounds the unit price, which isn't known until after the compliance period. In order to determine the relevant revenue for each financial year, management use an estimate for ROC prices provided by an independent energy expert consulting company, which takes into account expected generation for the UK. See note 17 for further details on the accrued Renewables Obligations Certificates ("ROC") recycle revenue.

3 Critical accounting estimates and judgements (Continued)

Impairment of investments
A material investment has been made in Galloper Wind Farm Limited. This investment is tested for possible impairment where there are indicators of loss of value. Impairments of investments are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. Significant judgements and estimates are required in determining value in use as this represents the present value of expected future cashflows, of which price path and production volume are the most important. The cashflows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the cashflows have not been adjusted. There were no indicators of impairment in the current year

Taxation
The group is not involved in tax planning other than that which arises from genuine commercial activity and does not use contrived or artificial structures to reduce tax liabilities. External advice is sought from reputable professional firms for any material tax uncertainties. The group does not deliberately conceal or knowingly misrepresent issues to HMRC. Tax issues are discussed with HMRC in real time with regular update meetings. Extensive, additional voluntary disclosures are included when the annual corporation tax returns are filed with HMRC. The group supports the principle behind moves towards greater transparency that increases understanding of tax systems.

Intangible assets useful economic life
Intangible assets are amortised over their useful economic lives, which have been assessed as 23 years. Assessment of useful lives is performed annually, taking into account factors such as technological innovation, maintenance programmes, market information and management considerations.
In assessing the value, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining useful life of the asset. While the group uses its best estimates and judgement, actual results could differ from those estimates. See note 12 for the carrying amount of intangible assets and note 1.5 Accounting policies for the useful economic lives for each class of assets.

Impairment of intangibles
Significant investments are made in intangible assets. These non-current assets are tested for possible impairment where there are indicators of loss of value. Calculating the recoverable amount requires a series of estimates concerning future cashflows, of which paths and production volume are the most important. There were no indicators of impairment in the current year.

Property, plant and equipment
Property, plant and equipment are a material part of the group's business. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the group's financial position and performance.

Estimation of useful economic life
The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the profit and loss account. The useful lives and residual values of the group's assets are determined by management at the time the asset is acquired and is based on the shorter of technical life, economic life and contractual rights. This is then reviewed annually for appropriateness and extended to the extent that the contractual rights allow it to be extended if considered appropriate. See note 13 for the carrying amount of property, plant and equipment and note 1.6- Accounting policies for the useful economic lives for each class of assets.

3 Critical accounting estimates and judgements (Continued)

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The group has used discounted cash flow analysis for various foreign exchange contracts that are not traded in active markets. The fair value of these financial instruments is estimated by comparing the contracted forward exchange rate to the current market forward exchange rate and discounting the expected future cash flows to net present values using appropriate market rates prevailing at the reporting date. The fair values of interest rate swaps are estimated using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

To comply with the provisions of IFRS 13, the group incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. See note 16 for further details on the derivative financial instruments recognised.

Decommissioning provision

Amounts used in recording a provision for decommissioning of wind farms are estimates based on current legal and constructive requirements. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining useful lives for each wind farm. While the group uses its best estimates and judgement, actual results could differ from these estimates. In estimating decommissioning provisions, the group applied an annual average inflation rate of 2.14% (2020: 1.87%) and an average annual discount rate of 1.16% (2020: 0.85%). The group estimates that an increase in the inflation rate of 25 basis points would lead to an increase in the decommissioning provision, and corresponding increase in the wind farm cost, of £4,311k.

IFRS 16, Leases

Recorded within property, plant and equipment the group has recognised right-of-use assets in accordance with IFRS 16, Leases. There are a number of factors that have an impact on the asset values recorded and these are dependent on the judgement of management. In particular where the estimated useful life of the right-of-use asset is less than the lease term this will determine the time period over which the lease rental payments are recognised and whether any early termination fees are incurred. The estimated useful life of the related wind farm asset is a key component of this assessment. Also, the calculation of the Incremental Borrowing Rate (IBR) applied to discount the future lease rental payments takes into account matters of judgement such as the cost of borrowing for the group, the length of the contract having assessed early termination options and the risk involved. See note 24 and note 32 for further details on lease liabilities recognised and note 13 for the carrying amount of the right of use asset.

4 Other losses

	2021 £000	2020 £000
Exchange losses	(2)	(2)
Hedge ineffectiveness	(275)	(275)
Non recoverable OFTO costs	(206)	-
	(483)	(277)

Non recoverable OFTO costs relate to snagging works under the OFTO SPA indemnity that were not covered by the electrical systems contractor under the Electrical System Agreement contract.

5 Operating profit

	2021 £000	2020 £000
Operating profit for the year is stated after charging:		
Exchange losses	2	2
Hedge ineffectiveness	275	275
Non recoverable OFTO costs	206	-
Fees payable to the company's auditors for the audit of the group's financial statements	74	66
Depreciation of property, plant and equipment (included within cost of sales)	50,341	51,276
Amortisation of intangible assets (included within cost of sales)	2,049	2,050

The fee for the audit of Galloper Wind Farm Holding Company Limited has been borne by Galloper Wind Farm Limited and not recharged.

6 Employees

The group has no employees for the year under review (2020: none).

7 Directors' remuneration

The directors did not receive any emoluments in respect of their services to the company (2020: £nil).

Directors' emoluments are borne by related entities.

8 Finance income

	2021 £000	2020 £000
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	-	34

9 Finance costs

	2021 £000	2020 £000
Interest on bank loans	32,388	35,116
Interest on lease liabilities	1,061	1,072
Other interest payable	1,096	1,265
Total interest expense	34,545	37,453
Unwind of discount on provisions and other long term liabilities	708	1,435
	35,253	38,888

Other interest payable includes £1,091k (2020: £1,260k) in respect of the amortisation of debt transaction costs.

10 Income tax expense

	2021 £000	2020 £000
Current tax		
UK corporation tax on profits for the current year	5,736	-
Deferred tax		
Origination and reversal of temporary differences	21,822	7,744
Changes in tax rates	18,206	3,820
Adjustment in respect of prior periods	(458)	(1,891)
	39,570	9,673
Total tax charge	45,306	9,673

10 Income tax expense **(Continued)**

The charge for the year can be reconciled to the profit per the income statement as follows:

	2021 £000	2020 £000
Profit before taxation	140,359	49,322
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	26,668	9,371
Effect of expenses not deductible in determining taxable profit	890	1,172
Effect of change in UK corporation tax rate	-	(911)
Deferred tax adjustments in respect of prior years	(458)	(1,891)
Non-taxable profit on disposal of fixed assets	-	(1,888)
Re-measurement of deferred tax - change in the UK tax rate	18,206	3,820
Taxation charge for the year	45,306	9,673

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income/(expense):

	2021 £000	2020 £000
Reclassifications from equity to profit or loss:		
Relating to cash flow hedges	6,618	(7,061)

Factors that may affect future tax charges:

On 3 March 2021, the UK Government announced that the main rate of corporation tax would increase from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 and therefore the deferred tax has been measured at 25%.

On 23 September 2022, the UK Government announced that the main rate of corporation tax would no longer increase to 25% with effect from 1 April 2023, but would instead stay at 19%. This change was not substantively enacted by the balance sheet date and therefore the deferred tax remains measured at 25%. Had the change been enacted, this would have reduced the deferred tax charge for the year in the income statement by £18,206,275 and increased the deferred tax charge in other comprehensive income by £3,123,380. It would also have reduced both the deferred tax asset as at 31 December by £5,777,438 and the deferred tax liability by £20,860,333.

11 Dividends

Amounts recognised as distributions:	2021 per share £	2020 per share £	2021 Total £000	2020 Total £000
Ordinary shares				
Interim dividend paid	0.17	0.14	39,000	33,800

12 Intangible assets

Group

	Goodwill	Other intangible assets	Total
	£000	**£000**	**£000**
Cost			
At 1 January 2020	196	46,951	47,147
At 31 December 2020	196	46,951	47,147
At 31 December 2021	196	46,951	47,147
Accumulated amortisation			
At 1 January 2020	-	3,895	3,895
Charge for the year	-	2,050	2,050
At 31 December 2020	-	5,945	5,945
Charge for the year	-	2,049	2,049
At 31 December 2021	-	7,994	7,994
Carrying amount			
At 31 December 2021	196	38,957	39,153
At 31 December 2020	196	41,006	41,202
At 31 December 2019	196	43,056	43,252

Intangible assets relate to rights, licences and development costs incurred prior to the start of construction of the Galloper wind farm. The intangible assets were purchased during 2015 from the unincorporated joint venture that previously owned the project.

13 Property, plant and equipment

Group

	Motor vehicles £000	Wind Farm £000	Decommissioning Asset £000	Total £000
Cost				
At 1 January 2020	96	1,085,206	100,015	1,185,317
Additions	51	2,116	-	2,167
Change in estimate	-	96	(21,975)	(21,879)
At 31 December 2020	147	1,087,418	78,040	1,165,605
Change in estimate	-	536	(514)	22
Other	-	(316)	-	(316)
At 31 December 2021	147	1,087,638	77,526	1,165,311
Accumulated depreciation and impairment				
At 1 January 2020	23	86,766	7,758	94,547
Charge for the year	29	47,012	4,235	51,276
At 31 December 2020	52	133,778	11,993	145,823
Charge for the year	30	47,065	3,246	50,341
At 31 December 2021	82	180,843	15,239	196,164
Carrying amount				
At 31 December 2021	65	906,795	62,287	969,147
At 31 December 2020	95	953,640	66,047	1,019,782
At 31 December 2019	73	998,440	92,257	1,090,770

Other movements to the wind farm asset in 2021 relate to a release of accruals no longer required which have reduced the cost of the wind farm asset.

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2021 £000	2020 £000
Net values		
Wind Farm	27,446	28,161
Depreciation charge for the year		
Wind Farm	1,279	1,238

14 Investments

Company subsidiaries

Details of the groups subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Address	Principal activities	% Held Direct	% Held Voting
Galloper Wind Farm Limited	England & Wales	Operation of Galloper Wind Farm Limited	100.00	100.00

Registered office addresses (all UK unless otherwise indicated):

Galloper Wind Farm Limited, Windmill Hill Business Park, Whitehall Way, Swindon SN56PB

Summary of the company investments

	2021 £000	2020 £000
Investments in subsidiaries	70,019	89,019

Subsidiaries

	£000
Cost or valuation	
At 1 January 2020	161,019
Disposals	(72,000)
At 31 December 2020	89,019
At 1 January 2021	89,019
Disposals	(19,000)
At 31 December 2021	70,019
Carrying amount	
At 31 December 2021	70,019
At 31 December 2020	89,019

On 29 October 2015 the company purchased the share capital of RWE Innogy Galloper 1 Limited, RWE Innogy Galloper 2 Limited, SSE Renewables (Galloper) No. 1 Limited and SSE Renewables (Galloper) No. 2 Limited (collectively, the "SPVs") from RWE Renewables UK Swindon Limited for a total consideration of £64,600,000 which was satisfied by the issue of shares. Immediately after they were acquired the SPVs paid dividends to the company which have been treated as a return of capital and included in the total for disposals above.

On 30 October 2015 the company sold its investments in the SPVs to RWE Renewables UK Swindon Limited for a consideration of £32 which was equivalent to their net asset value at that date.

The balance for investments at 31 December 2021 relates to the company's wholly owned subsidiary, Galloper Wind Farm Limited, which was acquired on 29 October 2015.

15 Financial instruments

Group

Financial Assets	**Assets at fair value through profit or loss**	**Amortised Cost**
As at 31 December 2021	**£000**	**£000**
Assets as per statement of financial position		
Trade and other receivables excluding prepayments	-	94,229
Cash and cash equivalents	-	85,118
	-	179,347

	Assets at fair value through profit or loss	**Amortised Cost**
As at 31 December 2020	**£000**	**£000**
Assets as per statement of financial position		
Trade and other receivables excluding prepayments	-	63,169
Cash and cash equivalents	-	33,109
	-	96,278

Valuation methods and assumptions

Assets held at amortised cost: The fair value of assets held at amortised cost approximates to the carrying amount because of the short maturity of these instruments that do not include a significant financing component.

Financial Liabilities	**Liabilities at fair value through profit or loss**	**Other financial liabilities at amortised cost**
As at 31 December 2021	**£000**	**£000**
Liabilities as per statement of financial position		
Trade and other payables	-	18,921
Borrowings	-	874,676
Derivative financial instruments	50,956	-
	50,956	893,597

15 Financial instruments **(Continued)**

	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost
As at 31 December 2020	**£000**	**£000**
Liabilities as per statement of financial position		
Trade and other payables	-	16,952
Borrowings	-	919,481
Derivative financial instruments	104,320	-
	104,320	936,433

Description of instruments

Trade and other payables comprise amounts due to suppliers and accruals. Borrowings comprise bank loans.

Valuation methods and assumptions

Financial liabilities at amortised cost

The fair value of trade and other payables and the current portion of borrowings equal their carrying amount as the impact of discounting is not significant.

All financial liabilities carried at fair value have been measured by a Level 2 valuation method and are disclosed in note 16.

Specific valuation techniques used to value financial instruments include the following:
-quoted market prices or dealer quotes are used for similar instruments;
-the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
-other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying value of the non-current portion of borrowings is a good approximation of fair value as the interest rates of these borrowings are considered to be at market value and hence the discounted value of the future cash flows gives the same value as the carrying value.

16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair values are recorded in the period they arise, either in the income statement or in other comprehensive income. All derivatives are designated in hedge relationships. The gain or loss relating to the effective portion is recognised in the cash flow hedge reserve within equity, and the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Where the fair value of a derivative is positive it is carried as a derivative asset, and where negative as a derivative liability.

In 2018, interest rate swap derivatives that were novated and modified as part of the refinancing of the group have been redesignated off-market as part of hedge relationships. The new interest rate swaps were recognised at the carrying value of the previous interest rate swaps, because IFRS 9 does not permit recognising a gain or loss on initial recognition of a financial instrument unless it is wholly based on observable amounts or quoted prices. The difference of £9,569k reflects the cost to the group of financing the previous interest rate swap liability positions. This financing component of the new interest rate swaps results in a fair value because the derivatives are discounted at Overnight Index Swap rates, which do not take into account the cost of financing (credit spread) specific to the group. The opening fair value has been deferred and is amortised and recognised in the income statement on a straight-line basis over the term of the swaps. The amount recognised at 31 December 2021 has been included in derivative financial instrument liabilities and amounts to £7,567k (2020: £8,225k). The refinancing of the group did not lead to immediate gains or losses in the income statement.

For each class of derivative instrument type the total fair value amounts are as follows:

Group	**Assets £000**	**Liabilities £000**	**Total £000**
As at 31 December 2021			
Interest Rate Swaps	-	(50,956)	(50,956)
Total	-	(50,956)	(50,956)
As at 31 December 2020			
Interest Rate Swaps	-	(104,320)	(104,320)
Total	-	(104,320)	(104,320)

16 Derivative financial instruments **(Continued)**

The fair value amounts of derivative financial instruments are analysed as follows:

	Assets	**Liabilities**	**Total**
As at 31 December 2021	**£000**	**£000**	**£000**
Current:			
Due within one year	-	(9,974)	(9,974)
Non-current:			
Due after one year	-	(40,982)	(40,982)
Total	-	(50,956)	(50,956)
As at 31 December 2020	£000	£000	£000
Current:			
Due within one year	-	(16,161)	(16,161)
Non-current:			
Due after one year	-	(88,159)	(88,159)
Total	-	(104,320)	(104,320)

The notional amounts of derivative financial instruments outstanding are as follows:

Group	**Currency**	**Notional amount £000**
As 31 December 2021		
Interest Rate Swaps	UK pounds	639,305
As 31 December 2020		
Interest Rate Swaps	UK pounds	678,137

Exposure arises from the variability in future interest cash flows on liabilities which bear interest at variable rates. Interest rate swaps are maintained, and designated as cash flow hedges, where they qualify, to manage this exposure. Fair value changes on designated cash flow hedges are initially recognised directly in the cash flow hedge reserve, as gains or losses recognised in equity and any ineffective portion is recognised immediately in the income statement. Amounts are transferred from equity and recognised in the income statement or capitalised as the income or expense is recognised on the hedged item.

The change in fair value of interest rate swaps in the period was an increase of £53,364k (2020: decrease of £26,452k).

17 Trade and other receivables

	Group 2021 £000	2020 £000
Trade receivables	70,807	47,855
VAT recoverable	314	269
Amounts owed by related parties	23,422	15,044
Prepayments	3,762	2,178
	98,305	65,346

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of receivables is made when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables, including contract assets. Expected credit losses on related party receivables are considered insignificant to the group. Trade receivables includes £65,310k accrued income in respect of contract assets for the sale of Renewables Obligation Certificates ("ROC"). Expected credit losses on ROCs receivables are considered insignificant to the company.

18 Trade receivables - credit risk

Fair value of trade receivables
The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's cash deposits and receivables from third parties. The group's exposure to credit risk is influenced mainly by the individual characteristics of each balance. Where appropriate, letters of credit and other guarantees are used to mitigate the credit risk from customers.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

This risk is minimised by:
- placing restricted and liquid cash deposits with single financial institutions that have a minimum rating of AA, using Standard and Poor's credit rating symbols;
-requiring parent company guarantees when dealing with any subsidiary of a rated company; and
-entering into transactions only with leading companies that have a good credit rating.

19 Borrowings

	Group Current 2021 £000	2020 £000	Group Non-current 2021 £000	2020 £000
Borrowings held at amortised cost:				
Bank loans	68,491	66,945	806,185	852,536

	Group 2021 £000	2020 £000
Secured borrowings included above:		
Bank loans	874,676	919,481

Group

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

Secured bank debt is denominated in UK pounds and includes both a fixed interest rate tranche and floating interest rate tranches, based on a fixed margin above LIBOR (refer to Note 22 for information on IBOR reform). The debt is repayable in instalments, with the final instalment due on 31 December 2036.

The bank loans are secured by a charge over all of the assets of the company's subsidiary.

20 Market risk

Market risk management

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

Foreign exchange risk

The group's transactions are predominantly denominated in pounds sterling so there is low foreign exchange risk.

Interest rate risk

The group is partially funded using long term floating rate loans that expose the group to potential variability in interest rates.

The group's risk management strategy is to protect the group against adverse fluctuations in interest rates utilising pay fixed receive floating interest rate swaps to reduce its exposure to variability in cash flows on the group's forecasted floating-rate debt facility to the extent that it is practicable and cost effective to do so.

20 Market risk **(Continued)**

Sensitivity analysis
Since all of the group's interest rate swaps are in cash flow hedging relationships all of the movement in the value of financial assets and liabilities caused by a change in the interest rate assumed at 31 December 2021 would be recognised largely in other comprehensive income ("OCI") as follows:

- an increase in interest rates at 31 December 2021 by 25 basis points would have caused an increase in OCI of £11,452k ;

- a decrease in interest rates at 31 December 2021 by 25 basis points would have caused a decrease in OCI of (£11,757k).

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities where due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom available under the group's available facilities is monitored as part of the group's planning process.

At 31 December 2021 the group had undrawn committed borrowing facilities of £77,915k (2020: £187,915k) and cash and cash equivalents of £85,118k (2020: £33,109k).

21 Liquidity risk

The following table details the remaining contractual maturity for the group's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the group may be required to pay.

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	£000	£000	£000	£000
At 31 December 2021				
Trade and other payables	18,921	-	-	18,921
Bank borrowings	69,527	185,403	635,135	890,065
Power curve upgrade kit liability	4,976	4,997	-	9,973
Interest on bank borrowings	19,499	68,450	89,513	177,462
Derivative financial instruments	10,245	23,921	29,861	64,027
	123,168	282,771	754,509	1,160,448
At 31 December 2020				
Trade and other payables	16,952	-	-	16,952
Bank borrowings	67,987	183,139	684,841	935,967
Power curve upgrade kit liability	5,000	10,000	-	15,000
Interest on bank borrowings	17,470	61,762	93,723	172,955
Derivative financial instruments	16,855	52,313	49,210	118,378
	124,264	307,214	827,774	1,259,252

22 Hedging instruments

Group

Cash flow hedges

The group expects that for all designated hedge relationships, changes in value of both the Hedging Instrument and the Hedged Transaction will offset and systematically move in opposite directions given the critical terms of the Hedging Instrument and the Hedged Transactions are closely aligned. The group performs periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The potential sources of hedge ineffectiveness are as follows:

1. Credit risk - movements in the group's and hedging counterparty's credit spread could result in movements in fair value of the Hedging Instrument that would not be reflected in the movements in the value of the Hedged Transactions.

2. Redesignated hedges - The group's hedges were restructured to match changes to the group's loans in 2018. These changes to the hedge instruments required redesignation under IFRS 9, resulting in hedges that had a non-zero fair value at redesignation date. The redesignation of hedges with a non-zero fair value creates hedge ineffectiveness due to the unwind of the discounting on the fair value of the derivative instrument at the designation date.

3. The possibility of changes to the critical terms of the Hedged Transactions due such that they no longer match those of the Hedging Instrument.

Each hedging instrument is designated in a 1:1 hedge ratio against an equivalent notional amount of hedged item. Should an insufficient amount of hedged item be available the hedging instrument will be dedesignated or proportionally designated as appropriate.

Cash flow hedges - fair value and notionals

	Derivative assets	Derivative liabilities	Changes in fair value in period	Nominal amounts	Change in fair value of hedged item
2021	£000	£000	£000	£000	£000
Interest rate swaps	-	(50,956)	37,428	639,305	38,474
	-	(50,956)	37,428	639,305	38,474
2020	£000	£000	£000	£000	£000
Interest rate swaps	-	(104,320)	(40,132)	678,137	(40,856)
	-	(104,320)	(40,132)	678,137	(40,856)

22 Hedging instruments (Continued)

Cash flow hedges - OCI Reconciliation and P&L impacts

2021	Opening OCI £000	Amounts deferred and recognised in OCI £000	Reclassify to income statement interest £000	Closing OCI £000	Hedge ineffective-ness £000
Interest rate swaps	103,325	(37,704)	(13,565)	52,056	275
	103,325	(37,704)	(13,565)	52,056	275

2020	£000	£000	£000	£000	£000
Interest rate swaps	73,947	39,858	(10,480)	103,325	275
	73,947	39,858	(10,480)	103,325	275

2021	Closing OCI for continuing hedges £000	Closing OCI for hedging relationships where hedge accounting is no longer applied £000	Closing OCI £000
Interest rate swaps	12,290	39,766	52,056
	12,290	39,766	52,056

2020	£000	£000	£000
Interest rate swaps	60,102	43,223	103,325
	60,102	43,223	103,325

During 2021 the average strike price of the interest rate swap hedging instruments was 2.52% (2020: 2.52%).

Phase 2 IBOR Reform

On 5 March 2021, the UK's Financial Conduct Authority (FCA) formally announced the cessation of all GBP London Interbank Offered Rate (LIBOR) benchmark settings currently published by ICE Benchmark Administration (IBA) immediately after 31 December 2021. In response, during the current year, the group started negotiations with its lenders and swap counterparties to amend the benchmark rate referenced in the loan and swap agreements from GBP LIBOR to GBP SONIA plus a credit adjustment spread to compensate for the basis differential between the two benchmarks.

22 Hedging instruments **(Continued)**

The following table indicates the nominal amount and carrying amount of financial instruments that will be affected by IBOR reform which were yet to transition to alternative benchmark rates as at 31 December 2021:

Current Benchmark Rate	Non-Derivative Financial Liabilities Nominal Amount	Derivative Instruments Nominal Amount	Alternate Benchmark Rate	Transition Date
	£000	£000		
GBP LIBOR	661,427	639,305	GBP SONIA	March 2022

As illustrated above, the group has a significant exposure to changes in the GBP LIBOR benchmark. At 31 December 2021 the Company has term loans of GBP 661,427k and interest rate swaps with a notional amount of GBP 639,305k, which are indexed to GBP LIBOR. The interest rate swaps are designated in a cash flow hedge relationship hedging the GBP LIBOR term loans.

Subsequent to the year-end, the group's bilateral contract amendment process was completed in March 2022 to fully transition the referenced contracts to GBP SONIA and the group no longer has exposure to the GBP LIBOR benchmark from 29 March 2022.

The group continues to adopt the Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 issued in September 2019 ("Phase 1 relief") in relation to GBP LIBOR hedging instruments in hedge relationships that have not transitioned yet to GBP SONIA. Adopting these amendments provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

In assessing whether the hedges are expected to be highly effective on a forward-looking basis, the group has assumed that the GBP LIBOR interest rate on which the cash flows of its interest rate swaps and its hedged floating rate loans are based, are not altered by IBOR reform.

The group will continue to apply the Phase 1 relief to its hedge relationships until March 2022 when the group's contracts were amended to specify both the spread adjustment between the existing GBP LIBOR rate and the replacement rate (GBP SONIA) and the effective date of the replacement benchmark rate.

23 Trade and other payables

Group	**Current**		**Non-current**	
	2021	**2020**	**2021**	**2020**
	£000	**£000**	**£000**	**£000**
Trade payables	104	16	-	-
Accruals	18,817	16,790	-	-
Other taxation	6	146	-	-
Power curve upgrade kit liability	-	-	9,973	15,000
	18,927	16,952	9,973	15,000

23 Trade and other payables **(Continued)**

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

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

The power curve upgrade kit liability relates to the installation cost of on the turbines at Galloper wind farm. The cost is planned to be paid bi-annually from June 2019 to June 2023 in equal instalments.

24 Lease liabilities

Group

Maturity analysis	**2021 £000**	**2020 £000**
Within one year	1,961	1,924
In two to five years	7,845	7,696
In over five years	31,661	32,974
Total undiscounted liabilities	41,467	42,594
Future finance charges and other adjustments	(12,759)	(13,569)
Lease liabilities in the financial statements	28,708	29,025

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £000	**2020 £000**
Current liabilities	918	869
Non-current liabilities	27,790	28,156
	28,708	29,025

Amounts recognised in profit or loss include the following:	**2021 £000**	**2020 £000**
Interest on lease liabilities	1,061	1,072

Other leasing information is included in note 32.

25 Deferred taxation

	2021 £000	2020 £000
Deferred tax liabilities	86,918	50,888
Deferred tax assets	(24,073)	(34,231)
	62,845	16,657

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting year.

	Accelerated capital allowances	Other Items	Fair value movements on financial instruments	Tax losses	Total
	£000	£000	£000	£000	£000
Deferred tax liability at 1 January 2020	39,858	93	-	-	39,951
Deferred tax asset at 1 January 2020	-	-	(12,405)	(13,501)	(25,906)
Deferred tax movements in prior year					
Charge/(credit) to profit or loss	11,030	(93)	325	(1,589)	9,673
Credit to other comprehensive income	-	-	(7,061)	-	(7,061)
Deferred tax liability at 31 December 2020	50,888	-	-	-	50,888
Deferred tax asset at 31 December 2020	-	-	(19,141)	(15,090)	(34,231)
Deferred tax movements in current year					
Charge/(Credit) to profit or loss	36,030	-	(491)	4,031	39,570
Credit to other comprehensive income	-	-	6,618	-	6,618
Deferred tax liability at 31 December 2021	86,918	-	-	-	86,918
Deferred tax asset at 31 December 2021	-	-	(13,014)	(11,059)	(24,073)

Deferred tax assets and liabilities are offset in the financial statements only where the group has a legally enforceable right to do so.

26 Long term provisions

Group	2021 £000	2020 £000
Decommissioning provisions	83,537	83,343

Analysis of provisions

The provision for the decommissioning of the wind farm represents the net present value of the group's best estimate of the costs to decommission the wind farm at the end of its useful life. In September 2020 in line with updated guidance from BEIS, the group commissioned an updated cost assessment as part of its Decommissioning Plan review, the results of which have been incorporated into the decommissioning provision in the current year as a change in estimate. The provision has been discounted to its present value at 1.16% (2020: 0.85%).

	2021	2020
Non-current liabilities	83,537	83,343

Movements on provisions:	Decommissioning provisions £000
At 1 January 2021	83,343
Change in estimate	(514)
Unwinding of discount	708
At 31 December 2021	83,537

27 Share capital

Ordinary share capital	2021 Number	2020 Number	2021 £000	2020 £000
Issued and fully paid				
Ordinary shares of 1p each	235,600,976	235,600,976	2,356	2,356

Shares allotted and cancelled during the year

During 2021 the company issued or cancelled no (2020: no) ordinary shares for an aggregate consideration of nil (2020: nil).

28 Share premium account

	2021 £000	2020 £000
At the beginning of the year	51,201	123,201
Share capital reduction	(19,000)	(72,000)
At the end of the year	32,201	51,201

29 Hedging reserve

Group	2021 £000	2020 £000
At the beginning of the year	(83,693)	(61,376)
Changes deferred in OCI	38,361	(39,198)
Movement in provision for unobservability	(657)	(660)
Reclassified to interest expense	13,565	10,480
Movement in year	51,269	(29,378)
Income tax related to OCI	(6,618)	7,061
Total movement in year	44,651	(22,317)
At the end of the year	(39,042)	(83,693)

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective for cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item upon recognition, consistent with the applicable accounting policy.

30 Other reserves

Group	Non-distributable reserve £000	Merger reserve £000	Total £000
Balance at 1 January 2020	(68,574)	35,462	(33,112)
Balance at 31 December 2020	(68,574)	35,462	(33,112)
Balance at 31 December 2021	(68,574)	35,462	(33,112)

Details of the merger reserve are given below in the note regarding the reserves of the Company.

During 2015 the group acquired the assets and liabilities of the entities through which the previous joint venture partners owned the Galloper wind farm project. The group has adopted predecessor accounting for this transaction and has recorded the assets and liabilities acquired at their predecessor carrying amounts. The difference between the carrying amounts of the net assets acquired and the consideration given has been recognised as a non-distributable reserve.

30 Other reserves (Continued)

Company	2021 £000	2020 £000
Opening balance	35,462	35,462
Closing balance	35,462	35,462

On 29 October 2015 the company acquired the 4 entities through which the joint venture partners owned the Galloper wind farm project. The consideration for this was satisfied by the issue of 64,600,000 ordinary shares of the company. As this transaction constitutes a 'share for share exchange', the company has applied section 611 of Companies Act 2006 ("group reconstruction relief"). Group reconstruction relief is an optional relief that allows a company to record minimal share premium. This 'minimum premium' is equal to the difference between the aggregate value of the nominal share capital issued and the cost of investment recorded in the original parent. The share premium on the consideration shares above the minimum premium has been allocated to the merger reserve.

There were £nil (2020: £nil) movements in respect of other reserves during the current year.

	£000
Consideration	64,600
Nominal value of shares issued	646
Premium arising	63,954
Minimum premium per permitted by s611 Companies Act 2006	28,492
Allocated to merger reserve	35,462

31 Other commitments

Other financial commitments

The group has entered into land related arrangements and other services for the Galloper wind farm. The group's obligations under certain of these contracts have been guaranteed by letters of credit with a face value of £6,815k (2020: £88,080k).

The total amount of other financial commitments not provided in the financial statements was £6,815k (2020: £88,080k).

32 Other leasing information

Lessee

Expenses relating to lease payments that have not been recognised under IFRS 16 as right-of-use assets and lease liabilities are as follows:

	2021 £000	2020 £000
Expense relating to variable lease payments not included in lease liabilities	672	729

The expenses above are included in the cost of sales. Leases include leases of land on which the Galloper wind farm is situated. These lease contracts include a fixed element which is subject to annual indexation, and a variable element, which is calculated based on the volume of generated electricity. The latter is excluded from the lease liability and expensed in the period to which it relates.

Information relating to lease liabilities is included in note 24.

33 Capital risk management

Capital components

The capital structure of the group consists of net debt (borrowings after deducting cash and bank balances) and equity (share capital, reserves and retained earnings) as follows:

	2020 £000	2020 £000
Loans and borrowings	874,676	919,481
Cash and cash equivalents	(85,118)	(33,109)
Net debt	789,558	886,372
Equity	56,365	(25,339)
Total capital	845,923	861,033

Externally imposed capital requirements

Part of the groups's capital risk management is to ensure compliance with the general covenants and financial covenants included in the group's various borrowing facilities. There have been no breaches of covenants in the financial year ended 31 December 2021.

Capital management

The company's objectives when managing capital are to ensure it will continue as a going concern while maximising the income and capital return to its shareholders through an appropriate level of gearing. The company generated profits after tax of £95,053k and made distributions to shareholders in during the year in the form of dividends (£39,000k) and share premium repayments (£19,000k). The directors are satisfied that the company is meeting its capital management objectives.

34 Related party transactions

During the year the group entered into the following transactions with related parties:

	Sale of goods		Purchase of goods and services	
	2021	**2020**	**2021**	**2020**
	£000	**£000**	**£000**	**£000**
Entities with joint control or significant influence over the group	71,417	46,223	13,512	13,107
Other related parties	126	-	20,639	14,863
	71,543	46,223	34,151	27,970

The following amounts were outstanding at the reporting end date:

	2021	2020
Amounts due from related parties	**£000**	**£000**
Entities with joint control or significant influence over the group	23,422	15,044
Other related parties	17	-
	23,439	15,044

The group has no transactions with key management personnel. Directors' costs are borne directly by the group's shareholders.

35 Controlling party

The company is owned by four legal entities that are part of an incorporated joint venture, with the following holdings:

Shareholder	Holding	Ultimate controlling party of the shareholder
Aldeburgh Offshore Wind Investments Limited	25%	Spring Infrastructure Capital Co., Ltd, incorporated in Japan and ESB, incorporated in Ireland
RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited)	25%	RWE AG, incorporated in Germany
Siemens Project Ventures GmbH	25%	Siemens AG, incorporated in Germany
UK Green Investment Galloper Limited	25%	Macquarie Limited, incorporated in Australia

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

36 Events after the reporting date

Important non-adjusting events after the reporting period

On 26 January 2022, the company's subsidiary, Galloper Wind Farm Limited, proposed a dividend of £70,000k to be paid out of retained earnings at 31 December 2021 to the company, the dividend was paid on 31 January 2022.

Subsequently on 26 January 2022 the company proposed a dividend of £70,000k to be paid out of retained earnings at 31 December 2021, the dividend was paid on 31 January 2022.

On 23 September 2022, the UK Government announced that the main rate of corporation tax would no longer increase to 25% with effect from 1 April 2023, but would instead stay at 19%. This change was not substantively enacted by the balance sheet date and therefore the deferred tax remains measured at 25%. Had the change been enacted, this would have reduced the deferred tax charge for the year in the income statement by £18,206,275 and increased the deferred tax charge in other comprehensive income by £3,123,380. It would also have reduced both the deferred tax asset as at 31 December by £5,777,438 and the deferred tax liability by £20,860,333.

Following the decision by financial regulators on interest rate benchmarking reform, the group commenced its IBOR transition plan to transition from GBP LIBOR to SONIA during 2021. This transition was completed during March 2022. The transition included changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The areas of greatest change related to amendments to the contractual terms of its LIBOR referenced floating-rate swaps, and updating its hedge designations. The transition to SONIA has had no significant effect on its cash flows or profits (refer to Note 21 for information on IBOR reform).