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 2020

GALLOPER WIND FARM HOLDING COMPANY LIMITED

COMPANY INFORMATION

Directors	J Duffy	
	D Farrell	(Appointed 19 May 2020)
	R Hoffs	
	P Lennon	(Appointed 19 May 2020)
	T Lyon	(Appointed 16 August 2020)
	C Mertens	
	K Moeller	
	S Prousch	(Appointed 10 August 2020)
	C Schrimpf	(Appointed 10 August 2020)
	L Shead	(Appointed 10 August 2020)
	M Turnwald	
Company secretaries	P Sainsbury	
	A Broster	(Appointed 6 May 2020)
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

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GALLOPER WIND FARM HOLDING COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

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 13 of the financial statements. The financial position of the group as at 31 December 2020 is provided on pages 15 - 16 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:

	2020	2019
	£000	£000
Revenue	189,495	184,866
Profit for the financial year	39,649	43,270
Net (liabilities)/assets	(25,339)	63,129

The increase in revenue for the year reflects an increase in volume of electricity generated partially offset by lower energy prices. Profit for the year was lower than the prior year primarily due to increased Transmission Network Use of System (TNUoS) charges. Following the sale of the Offshore Transmission Network asset on 27 February 2020 the group is subject to additional annual TNUoS charges, amounting to £11,600k in 2020.

Net assets and net liabilities decreased in the current year primarily due to the sale of the Offshore Transmission Network asset. The sale, as required by the UK Government's regulatory regime, to Diamond Transmission Partners Galloper Limited was completed on 27 February 2020 for a consideration of £281,779k. On 5 March 2020 the group repaid its outstanding offshore transmission loan of £244,490k.

The group generated 1,574 GWh of electricity in 2020 (2019: 1,411 GWh).

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.

The group does not see COVID-19 as a key risk to the business. This is due to a number of contributing factors as follows:

- The group has access to sufficient funding for short-term declines in volumes and prices through its loan facility agreements which may be relied upon in the event of short-term adverse impacts in the UK;
- Government subsidies have been agreed and set in advance with a fixed mechanism;
- The project life is 23 years which means natural fluctuations in short-term volumes and prices have little impact on the overall NPV of the project's lifetime profitability;
- The group maintains relationships with multiple suppliers for turbine components which means there is low key supplier risk;
- The principal customers are part of well established groups whose credit rating remains acceptable and therefore the risk of default is considered low.

As there are no significant issues around cashflow, debt recovery and overall project profitability, it is appropriate to conclude that COVID-19 is not a key risk.

Brexit

On 23 June 2016, the UK voted to leave the European Union (EU). Article 50 was triggered on 29 March 2017, which started the exit process from the EU. The UK left the EU on 31 January 2021 and entered into a transition period, during which time a trade deal was negotiated covering, principally, the trade in goods and services between the UK and the EU, coming into effect on 31 December 2020. Risks to the company resulting from Brexit together with their mitigating measures are summarised below:

Power prices

As part of the Brexit trade deal, GB has left the European Internal Energy Market (IEM), leading to a divergence of clearing power prices between the UK and the EU, decreased market efficiency and greater volatility. The UK and the EU have agreed to work towards convergence and recoupling of settlement prices, and current expectations are of a recoupling of the power market during 2022. In addition, the UK has established its own Emissions Trading Scheme, the impact of which on power prices has yet to be determined.

The company closely monitors power price projections and has determined that the increased price volatility arising from Brexit does not constitute a significant risk to the company in the medium to long term. In addition, a significant proportion of the company's revenue comprises the sale of Renewables Obligations Certificates, for which guaranteed prices are determined in advance by BEIS and OFGEM.

Purchase of goods

The introduction of new customs procedures has not had a significant impact on sourcing of critical wind farm components or spares by operations and maintenance providers. The company continues to mitigate the residual risk by ensuring contractors establish processes for goods purchased from the EU, hold sufficient critical spare components, and factor in potential delays to the timing of orders so as not to impact on the operating availability of the wind farm.

Interest rate benchmarking reform

As a result of decisions by financial regulators on interest rate benchmarking reform, the group anticipates that GBP LIBOR will transition to SONIA by 31 December 2021, and has considered an IBOR transition plan. This transition project will include changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The group currently anticipates that the areas of greatest change will be amendments to the contractual terms of its LIBOR referenced floating-rate swaps, and updating its hedge designations. The group does not expect the transition to SONIA to have a significantly detrimental effect on its cash flows or profits.

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 below the directors have continued with this business strategy by approving the budget for 2021 and plan for the following years.
- The directors have approved the payment of dividends totalling £33,800k during the year, and dividends totalling £20,000k in 2021 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.

Contractor engagement

- The company carefully considers the health and welfare of contractors and the Board have signed a Modern Slavery Act statement.

Business relationships

- When dealing with suppliers, the group follows the follows the RWE Code of Conduct, as its service provider 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 of the company should solicit or accept monetary benefits from third parties.
- The health and safety of contractors on the group's sites is vitally important. Contractors are therefore expected to sign up to and follow the service provider's HSE Requirements for contractors working on Galloper Wind Farm sites. 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 (formerly Innogy Renewables UK Limited) and thereby maintains good business relations.

Community and the environment

- During this year the group contributed £26k to local community funds and sponsorship. Galloper receives a variety of requests for sponsorship/financial support and for educational involvement from charities, community groups, educational institutions (schools) and councils located across Essex/ Suffolk. Some of these initiatives can be referred to the Galloper Community Fund, however others are more aligned to the organisation's strategic approach to community involvement and need individual consideration and response.
- All of this activity is considered in line with the Galloper Sponsorship & Education Plan which is updated annually.
- Sponsorships play a key role in Galloper's community relations, so ad-hoc requests are considered, and relevant opportunities are also sought proactively to ensure an appropriate balance and mix of initiatives.
- Due to the impact of the coronavirus on events and community activities in 2020, ad-hoc sponsorship requests were extremely infrequent. As a result surplus funding was allocated to carefully chosen local good causes and initiatives that aligned with the Galloper Education & Sponsorship strategy. A small additional amount of funding was also allocated to Essex Community Foundation to allocate specifically to organisations requiring emergency support in 2020 due to the pandemic.
- The Galloper Community Fund is one of three community funds established in association with the project, and is specifically focused on Harwich and the surrounding area. A fund of around £11k per annum is managed by Essex Communication Foundation behalf of Galloper. The fund supports local organisations in need.
- The group is dedicated to sustainable generation of electricity and promoting sustainability in general. As part of this, the group have worked with the local community to support wildlife conservation projects to promote and protect the local ecology, as well as other local initiatives that focus on creating sustainable outdoor spaces for the community to enjoy.

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 (formerly Innogy Renewables UK 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 22 June 2021 and signed on its behalf by

S Prousch
Director
22 June 2021

The directors present their annual report and the audited financial statements of the group for the year ended 31 December 2020.

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 13.

During the year the directors proposed and paid ordinary dividends of £33,800k relating to the eamings of the company in the year ended 31 December 2019. In January 2021, the directors proposed and paid ordinary dividends of £20,000k relating to the eamings of the company in the 6 months ended 31 December 2020.

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

G Arthur	(Resigned 19 May 2020)
P Cowling	(Resigned 20 January 2020)
J Duffy	
E Eisenberg	(Resigned 17 February 2021)
D Farrell	(Appointed 19 May 2020)
B Furlong	(Appointed 20 January 2020 and resigned 10 August 2020)
R Hoffs	
P Lennon	(Appointed 19 May 2020)
T Lyon	(Appointed 16 August 2020)
D McNamara	(Resigned 19 May 2020)
C Mertens	
C Möckl	(Resigned 10 August 2020)
K Moeller	
M Porter	(Resigned 16 August 2020)
S Prousch	(Appointed 10 August 2020)
R Sandford	(Resigned 10 August 2020)
C Schrimpf	(Appointed 10 August 2020)
L Shead	(Appointed 10 August 2020)
M Turnwald	

Directors' insurance
The directors are indemnified to the extent permitted by law and the company's Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. Deeds of indemnity are executed for the benefit of each director in respect of liabilities which may attach to them in their capacity as directors of the company. The group purchased and has maintained Directors' and Officers' liability insurance since 12 October 2015, which is renewed annually. Neither the indemnities nor the insurance provide cover in the event that the director is proved to have acted fraudulently.

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.

Future developments
The group will continue to operate in 2021 and in subsequent years.

Independent auditors
PricewaterhouseCoopers LLP are deemed to be re-appointed as 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 2020 in line with the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements. The group produced a total of 4,102.26 tonnes of CO2 equivalent (tCO2e) in the year ended 31 December 2020.

Energy Consumed

Name & Description	Units	**2020**
Gas used in buildings	kWh	88,577
Fuel used in transport (Vessels & site vehicle)	kWh	13,229,908
Electricity (Owned Buildings & Energy Imports)	kWh	1,929,134
Total Energy Consumed	kWh	15,247,619
Total renewable generation output	GWh	1,583

GHG Emissions Breakdown

Summary of Scope 1 (Direct) GHG emissions for the year ended 31 December 2020.

Name & Description	Units	**2020**
Gas used in buildings	tCO2e	16.35
Fuel used in transport (Vessels)	tCO2e	3,635.21
Fuel used in transport (Site Vehicle)	tCO2e	0.94
Total Scope 1 emissions	tCO2e	3,652.50

Gas consumption data for the group's Harwich Operations and Maintenance Facility was incomplete for the first four months of the reporting period and therefore an average of the remainder of the reporting year has been used to estimate gas consumption where data was missing.

Summary of Scope 2 (Indirect) GHG emissions for the year ended 31 December 2020.

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

Electricity consumption data for the group's Harwich Operations and Maintenance Facility is was incomplete for the first quarter of the reporting period and therefore an average of the remainder of the reporting year has been used to estimate electricity consumption where data was missing.

Scope 3 emissions have not been reported.

Carbon Intensity Ratio

For the year ended 31 December 2020, the group reports a carbon intensity ratio of 2.59 gCO2e per kWh electricity generated.

Baseline Year

The data for the year ended 31 December 2020 represents the group's first disclosure under the SECR requirements and shall 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 2021.

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 2021. There are also six electric vehicle car charging points.

Progress Against Targets

The data for the period 1 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.

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 2020' 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 2020.

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. Estimated data for gas and electricity consumption will be avoided in subsequent reporting years.

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 group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

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.

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of the outbreak of COVID-19. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK and the global economy more widely, as well as causing increased volatility and declines in financial and electricity markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial and electricity markets.

The group does not see COVID-19 as a key risk to the business. This is due to a number of contributing factors as follows:

- The group has access to sufficient funding for short-term declines in volumes and prices through its loan facility agreements which may be relied upon in the event of short-term adverse impacts in the UK;
- Government subsidies have been agreed and set in advance with a fixed mechanism;
- The project life is 23 years which means natural fluctuations in short-term volumes and prices have little impact on the overall NPV of the project's lifetime profitability;
- The group maintains relationships with multiple suppliers for turbine components which means there is low key supplier risk;
- The principal customers are part of well established groups whose credit rating remains acceptable and therefore the risk of default is considered low.

To date, the company has not seen a material impact on its operations as a result of COVID-19. The impact of COVID-19 on the investments in subsidiaries held has been assessed with no significant impact expected. The company's crisis management teams and business continuity plans have responded swiftly and effectively to the outbreak of COVID-19 and continue to monitor the risks to the business.

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 group's and 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 group's and company's auditors are aware of that information.

Approved by the Board of Directors on 22 June 2021 and signed on its behalf by

S Prousch
Director

22 June 2021

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 2020 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 international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2020; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, and the Consolidated and Company statements 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 2020 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, 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 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 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 fraud 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.

Nigel Comello (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 June 2021

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Revenue		189,495	184,866
Cost of sales		(100,853)	(85,821)
Gross profit		88,642	99,045
Other operating income		-	100
Administrative expenses		(189)	(188)
Other gains and losses	4	(277)	(1,931)
Operating profit	5	88,176	97,026
Finance income	9	34	424
Finance costs	10	(38,888)	(44,604)
Profit before taxation		49,322	52,846
Income tax expense	11	(9,673)	(9,576)
Profit for the year		39,649	43,270
Profit attributable to:			
Owners of the company		39,649	43,270

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 2020

	2020 £000	2019 £000
Profit for the year	39,649	43,270
Other comprehensive expense:		
Items that may be reclassified to profit or loss		
Cash flow hedges:		
- Hedging loss arising in the year	(29,378)	(21,511)
Tax relating to items that may be reclassified	7,061	351
Total items that may be reclassified to profit or loss	(22,317)	(21,160)
Total comprehensive income for the year	17,332	22,110
Total comprehensive income attributable to:		
Owners of the company	17,332	22,110

GALLOPER WIND FARM HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Goodwill	13	196	196
Intangible assets	13	41,006	43,056
Property, plant and equipment	14	1,019,782	1,090,770
Deferred tax asset	27	34,231	25,906
		1,095,215	1,159,928
Current assets			
Trade and other receivables	18	65,346	114,002
Cash and cash equivalents		33,109	4,593
Assets held for sale	20	-	281,603
		98,455	400,198
Current liabilities			
Trade and other payables	25	16,952	19,425
Borrowings	21	66,945	309,321
Lease liabilities	26	869	819
Derivative financial instruments	17	16,161	11,300
		100,927	340,865
Net current (liabilities)/assets		(2,472)	59,333
Non-current liabilities			
Trade and other payables	25	15,000	19,813
Borrowings	21	852,536	897,348
Lease liabilities	26	28,156	28,478
Deferred tax liabilities	27	50,888	39,951
Long term provisions	28	83,343	103,974
Derivative financial instruments	17	88,159	66,568
		1,118,082	1,156,132
Net (liabilities)/assets		(25,339)	63,129
Equity			
Called up share capital	29	2,356	2,356
Share premium account	30	51,201	123,201
Other reserves	32	(33,112)	(33,112)
Hedging reserve	31	(83,693)	(61,376)
Retained earnings		37,909	32,060
Total equity		(25,339)	63,129

The financial statements were approved by the board of directors and authorised for issue on 22 June 2021 and are signed on its behalf by:

S Prousch
Director

Company Registration No. 09756678

GALLOPER WIND FARM HOLDING COMPANY LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Investments	**15**	89,019	161,019
Total assets		89,019	161,019
Net current assets		-	-
Total liabilities		-	-
Net assets		89,019	161,019
Equity			
Called up share capital	**29**	2,356	2,356
Share premium account	**30**	51,201	123,201
Other reserves	**32**	35,462	35,462
Total equity		89,019	161,019

The company made a profit of £33,800k in the year (2019: £40,500k).

The financial statements were approved by the board of directors and authorised for issue on 22 June 2021 and are signed on its behalf by:

S Prousch
Director

Company Registration No. 09756678

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2019		2,356	128,201	(40,216)	(33,112)	29,290	86,519
Year ended 31 December 2019:							
Profit for the year		-	-	-	-	43,270	43,270
Other comprehensive expense:							
Cash flow hedges		-	-	(21,511)	-	-	(21,511)
Tax relating to other comprehensive expense		-	-	351	-	-	351
Total comprehensive income for the year		-	-	(21,160)	-	43,270	22,110
Dividends	12	-	-	-	-	(40,500)	(40,500)
Redemption of shares	30	-	(5,000)	-	-	-	(5,000)
Balance at 31 December 2019		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		-	-	(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	12	-	-	-	-	(33,800)	(33,800)
Repayment of share capital	30	-	(72,000)	-	-	-	(72,000)
Balance at 31 December 2020		2,356	51,201	(83,693)	(33,112)	37,909	(25,339)

GALLOPER WIND FARM HOLDING COMPANY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2019		2,356	128,201	35,462	-	166,019
Year ended 31 December 2019:						
Profit and total comprehensive income for the year		-	-	-	40,500	40,500
Dividends	12	-	-	-	(40,500)	(40,500)
Repayment of share capital	30	-	(5,000)	-	-	(5,000)
Balance at 31 December 2019		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	12	-	-	-	(33,800)	(33,800)
Repayment of share capital	30	-	(72,000)	-	-	(72,000)
Balance at 31 December 2020		2,356	51,201	35,462	-	89,019

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
Cash flows generated from operating activities	**£000**	**£000**
Profit before tax for the year	49,322	52,846
Adjustments for		
Depreciation and amortisation	53,326	52,967
Financial instrument net losses through profit and loss	275	1,929
Interest of bank loans	35,116	39,511
Amortisation of debt transaction costs	1,260	2,098
Unwind of discount on provisions and long term liabilities	1,435	1,904
Finance income	(34)	(424)
Lease finance costs	1,072	1,085
Cash generated from operations	141,772	151,916
Interest paid on bank loans	(38,345)	(43,996)
Interest paid on leases	(1,072)	(1,085)
Interest paid on bank loans, other loans and leases	(39,417)	(45,081)
Working capital adjustments		
Decrease in trade and other receivables	48,655	15,579
(Decrease)/Increase in trade and other payables	(711)	1,565
Net cash flow generated from operating activities	150,299	123,979
Cash flows generated from/(used in) investing activities		
Interest received	34	424
Acquisitions of property, plant and equipment	(8,550)	(34,113)
Proceeds from disposal of asset held for sale	281,779	-
Net cash flows generated from/(used in) investing activities	273,263	(33,689)
Cash flows used in financing activities		
Repayment of share capital	(72,000)	(5,000)
Repayment of bank borrowing	(288,418)	(41,525)
Debt transaction costs refund	-	587
Principal elements of lease payments	(828)	(793)
Dividends Paid	(33,800)	(40,500)
Net cash flows used in financing activities	(395,046)	(87,231)
Net increase in cash and cash equivalents	28,516	3,059
Cash and cash equivalents at 1 January	4,593	1,534
Cash and cash equivalents at 31 December	33,109	4,593

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Cash flows generated from/(used in) operating activities		
Profit before tax for the year	33,800	40,500
Adjustments for		
Dividends received	(33,800)	(40,500)
Net cash flow generated from operating activities	-	-
Cash flows generated from investing activities		
Dividends received	33,800	40,500
Net cash flows generated from investing activities	33,800	40,500
Cash flows used in financing activities		
Dividends paid	(33,800)	(40,500)
Net cash flows used in financing activities	(33,800)	(40,500)
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 domiciled and incorporated 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 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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 under the historical cost convention, except for the revaluation of 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 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.

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of the outbreak of COVID-19. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK and the global economy more widely, as well as causing increased volatility and declines in financial and electricity markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial and electricity markets.

The group does not see COVID-19 as a key risk to the business. This is due to a number of contributing factors as follows:

- The group has access to sufficient funding for short-term declines in volumes and prices through its loan facility agreements which may be relied upon in the event of short-term adverse impacts in the UK;
- Government subsidies have been agreed and set in advance with a fixed mechanism;
- The project life is 23 years which means natural fluctuations in short-term volumes and prices have little impact on the overall NPV of the project's lifetime profitability;
- The group maintains relationships with multiple suppliers for turbine components which means there is low key supplier risk;
- The principal customers are part of well established groups whose credit rating remains acceptable and therefore the risk of default is considered low.

1 Accounting policies **(Continued)**

To date, the company has not seen a material impact on its operations as a result of COVID-19. The impact of COVID-19 on the investments in subsidiaries held has been assessed with no significant impact expected. The company's crisis management teams and business continuity plans have responded swiftly and effectively to the outbreak of COVID-19 and continue to monitor the risks to the business.

Restrictions in the UK have been slowly eased whilst the rate of infection has stabilised. To date, the company has not seen a material impact on its operations as a result of COVID-19. The impact of COVID-19 on cashflow, debt recovery and overall project profitability has been assessed with no significant impact expected. Given the contracted and stable nature of the company's revenue and cost profile, no material impact from COVID-19 is expected on financial performance. The company's crisis management teams and business continuity plans have responded swiftly and effectively to the outbreak of COVID-19 and continue to monitor the risks to the business.

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its subsidiary undertaking drawn up to 31 December 2020.

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.

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 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 is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

Revenue represents income from the power purchase 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 are determined by energy volumes recorded on the wind farm meters and market settlement* systems. ROCs granted to the company are recognised as eligible electricity is generated and is immediately transferable to the customer.

1 Accounting policies **(Continued)**

Revenue is generated entirely within the United Kingdom.

Other operating income
Other operating income comprises compensation related to goods and services provided by the company and income which is incidental to the company'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.

1.5 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.

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 Accounting policies **(Continued)**

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.

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 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification, unless circumstances beyond management's control preclude the sale taking place within the following period.

1.9 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.

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company 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.

1 Accounting policies **(Continued)**

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 within finance income or finance costs in the statement of income 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.

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 company'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.

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 Accounting policies **(Continued)**

1.11 Financial liabilities

The company recognises financial debt when the company 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'.

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 company 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 company's obligations are discharged, cancelled, or they expire.

1.12 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 company designates all derivatives as hedges of specific risks associated with the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedges).

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

1 Accounting policies **(Continued)**

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 17, Derivative financial instruments. Movements in the hedging reserve in shareholders' equity are shown in note 31, Cash flow hedging reserve and note 24, 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.

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 22, Financial risk management and impairment of assets. Descriptions of how the company makes assessments of hedge effectiveness, how the company establishes the hedge ratio, and the potential sources of ineffectiveness are included in note 24, Hedging instruments.

1.13 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 company 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)**

1.14 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.

1.15 Leases

At inception, the company 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 company 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 company'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 company 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 company'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 company 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 company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The group has considered the impact of interest rate benchmark reform ('IBOR reform') on its hedge accounting. Adopting these amendments provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The group has a significant exposure to changes in the GBP IBOR benchmark. At 31 December 2020 the group has a term loan of £678m and interest rate swaps with a notional amount of £678m, which are indexed to GBP LIBOR. The interest rate swaps are designated in cash flow hedge relationships hedging the GBP LIBOR loan.

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

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 2020 reporting periods and have not been adopted early by the company. 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 company'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 company 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.

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 company 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 company 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 company 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 company uses its best estimates and judgement, actual results could differ from those estimates.

3 Critical accounting estimates and judgements (Continued)

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 company's business. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the company'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 company'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.

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 company 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 company 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 company 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 company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

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 company uses its best estimates and judgement, actual results could differ from these estimates. In estimating decommissioning provisions, the company applied an annual average inflation rate of 1.87% (2019: 2.00%) and an average annual discount rate of 0.85% (2019: 1.29%). The company 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 £4,312k.

3 Critical accounting estimates and judgements **(Continued)**

IFRS 16, Leases

Recorded within property, plant and equipment the company 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 company, the length of the contract having assessed early termination options and the risk involved.

4 Other gains and losses

	2020 £000	2019 £000
Exchange losses	(2)	(2)
Hedge ineffectiveness	(275)	(1,929)
	(277)	(1,931)

5 Operating profit

	2020 £000	2019 £000
Operating profit for the year is stated after charging:		
Exchange losses	2	2
Hedge ineffectiveness	275	1,929
Fees payable to the company's auditors for the audit of the company's financial statements	66	82
Depreciation of property, plant and equipment	51,276	50,917
Amortisation of intangible assets (included within cost of sales)	2,050	2,050

6 Auditors' remuneration

Fees payable to the company's auditors and associates:	2020 £000	2019 £000
For audit services		
Audit of the financial statements of the company	66	82

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

7 Employees

The company has no employees for the year under review (2019: none).

8 Directors' remuneration

The directors did not receive any emoluments in respect of their services to the group (2019: nil).

9 Finance income

	2020 £000	2019 £000
Interest income		
Bank deposits	34	424

10 Finance costs

	2020 £000	2019 £000
Interest on bank loans	35,116	39,511
Interest on lease liabilities	1,072	1,086
Other interest payable	1,265	2,103
Total interest expense	37,453	42,700
Unwind of discount on provisions and other long term liabilities	1,435	1,904
	38,888	44,604

Other interest payable includes £1,260k (2019: £2,098k) in respect of the amortisation of debt transaction costs.

11 Income tax expense

	2020 £000	2019 £000
Deferred tax		
Origination and reversal of temporary differences	7,744	10,040
Adjustment in respect of prior periods	(1,891)	(464)
Impact of change in UK tax rate	3,820	-
	9,673	9,576

The tax charge for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

11 Income tax expense **(Continued)**

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

	2020 £000	2019 £000
Profit before taxation	49,322	52,846
Expected tax charge based on a corporation tax rate of 19.00% (2019: 19.00%)	9,371	10,041
Effect of expenses not deductible in determining taxable profit	1,172	1,180
Non-taxable profit on disposal of fixed assets	(1,888)	-
Effect of change in UK corporation tax rate	(911)	(1,181)
Re-measurement of deferred tax - change in the UK tax rate	3,820	-
Adjustment in respect of prior periods	(1,891)	(464)
Taxation charge for the year	9,673	9,576

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

	2020 £000	2019 £000
Fair value movements on financial instruments		
Relating to cash flow hedges	(7,061)	(351)

On 11 March 2020, the UK Government announced that the previously enacted corporate tax rate reduction from 19% to 17% on 1 April 2020 would not go ahead. This change was substantively enacted on 17 March 2020.

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 not substantively enacted at the balance sheet date and therefore the deferred tax assets have continued to be measured at the previously enacted rate of 19%. The effect of this change would be to increase the net deferred tax liability at 31 December 2020 by £5,260k.

12 Dividends

Amounts recognised as distributions:	2020 per share £	2019 per share £	2020 Total £000	2019 Total £000
Ordinary shares				
Interim dividend paid	0.14	0.17	33,800	40,500

13 Intangible assets

Group

	Goodwill	Other intangible assets	Total
	£000	£000	£000
Cost			
At 1 January 2019	196	46,951	47,147
At 31 December 2019	196	46,951	47,147
At 31 December 2020	196	46,951	47,147
Accumulated amortisation			
At 1 January 2019	-	1,845	1,845
Charge for the year	-	2,050	2,050
At 31 December 2019	-	3,895	3,895
Charge for the year	-	2,050	2,050
At 31 December 2020	-	5,945	5,945
Carrying amount			
At 31 December 2020	196	41,006	41,202
At 31 December 2019	196	43,056	43,252
At 31 December 2018	196	45,106	45,302

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.

The offshore transmission network asset was transferred out of intangible assets and classified as non-current assets held for sale immediately following its completion in December 2018, when the asset met the relevant recognition criteria of IFRS 5, Non-current assets held for sale and discontinued operations (note 18).

14 Property, plant and equipment

Group

	Motor vehicles	Wind Farm	Decommissioning Asset	Total
	£000	£000	£000	£000
Cost				
At 1 January 2019	53	1,043,102	96,083	1,139,238
Additions	43	42,039	-	42,082
Change in estimate	-	65	3,932	3,997
At 31 December 2019	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
Accumulated depreciation and impairment				
At 1 January 2019	12	40,016	3,602	43,630
Charge for the year	11	46,750	4,156	50,917
At 31 December 2019	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
Carrying amount				
At 31 December 2020	95	953,640	66,047	1,019,782
At 31 December 2019	73	998,440	92,257	1,090,770
At 31 December 2018	41	1,003,086	92,481	1,095,608

Additions to the wind farm in 2019 include £30,090k of right of use assets recognised on adoption of IFRS 16.

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

Right-of-use assets	2020	2019
	£000	£000
Net values		
Wind Farm	28,161	28,844
Depreciation charge for the year		
Wind Farm	1,238	1,246

15 Investments

Company subsidiaries

Details of the groups subsidiaries at 31 December 2020 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

	2020 £000	2019 £000
Investments in subsidiaries	89,019	161,019

Subsidiaries

	£000
Cost or valuation	
At 1 January 2019	166,019
Additions	-
Disposals	(5,000)
At 31 December 2019	161,019
At 1 January 2020	161,019
Disposals	(72,000)
At 31 December 2020	89,019
Provision	
At 1 January 2020	-
Provision	-
At 31 December 2020	-
Carrying amount	
At 31 December 2020	89,019
At 31 December 2019	161,019

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 (formerly Innogy Renewables UK 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.

15 Investments **(Continued)**

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

The balance for investments at 31 December 2020 relates to the company's wholly owned subsidiary, Galloper Wind Farm Limited, which was acquired on 29 October 2015.

16 Financial instruments

Group

Financial Assets	**Assets at fair value through profit and 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

	Assets at fair value through profit and loss	**Amortised Cost**
As at 31 December 2019	**£000**	**£000**
Assets as per statement of financial position		
Trade and other receivables excluding prepayments	-	113,032
Cash and cash equivalents	-	4,593
	-	117,625

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 and 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

16 Financial instruments **(Continued)**

As at 31 December 2019	Liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000
Liabilities as per statement of financial position		
Trade and other payables	-	19,425
Borrowings	-	1,206,669
Derivative financial instruments	77,868	-
	77,868	1,226,094

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.

17 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 company 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 company 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 company. 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 2020 has been included in derivative financial instrument liabilities and amounts to £8,225k (2019: £8,885k). The refinancing of the company 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 2020			
Interest Rate Swaps	-	(104,320)	(104,320)
Total	-	(104,320)	(104,320)
As at 31 December 2019			
Interest Rate Swaps	-	(77,868)	(77,868)
Total	-	(77,868)	(77,868)

17 Derivative financial instruments **(Continued)**

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

Group

	Assets £000	Liabilities £000	Total £000
As at 31 December 2020			
Current:			
Due within one year	-	(16,161)	(16,161)
Non-current:			
Due after one year	-	(88,159)	(88,159)
Total	-	(104,320)	(104,320)
As at 31 December 2019			
Current:			
Due within one year	-	(11,300)	(11,300)
Non-current:			
Due after one year	-	(66,568)	(66,568)
Total	-	(77,868)	(77,868)

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

Group	**Currency**	**Notional amount £000**
As 31 December 2020		
Interest Rate Swaps	UK pounds	678,137
As 31 December 2019		
Interest Rate Swaps	UK pounds	715,865

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.

Forward foreign currency contracts were used to hedge anticipated and committed future currency cash flows. Where these contracts qualify for hedge accounting they were designated as cash flow hedges. On recognition of the underlying transaction in the financial statements, the associated hedge gains and losses, deferred in equity, have been transferred and included with the recognition of the underlying transaction. All foreign exchange derivatives are designated as cash flow hedges and the gains or losses on the derivative are ultimately recognised in depreciation in the case of fixed assets.

17 Derivative financial instruments **(Continued)**

The change in fair value of interest rate swaps in the period was a decrease of £26,452k (2019: decrease of £19,904k).

18 Trade and other receivables

	Group and Company	
	2020	**2019**
	£000	**£000**
Trade receivables	47,855	47,989
VAT recoverable	269	1,179
Amounts owed by related parties	15,044	14,864
Other receivables	-	49,000
Prepayments	2,178	970
	65,346	114,002

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 established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

Included within other receivables are amounts on restricted deposit of £nil (2019: £49,000k).

19 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 company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's cash deposits and receivables from third parties. The company'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.

20 Assets held for sale

Assets held for sale relating to the consolidated entity	**2020 £000**	**2019 £000**
Intangible assets	-	13,208
Property, plant and equipment	-	268,395
Total assets classified as held for sale	-	281,603

Disposal of offshore transmission network asset

On 27 February 2020, the company completed the sale of its Offshore Transmission Network asset, as required by the UK Government's regulatory regime, to Diamond Transmission Partners Galloper Limited for a consideration of £281,779k and on 5 March 2020 repaid its outstanding offshore transmission loan of £244,490k.

21 Borrowings

	Group Current		**Group Non-current**	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
Borrowings held at amortised cost:				
Bank loans	66,945	309,321	852,536	897,348

	Group	
	2020 £000	**2019 £000**
Secured borrowings included above:		
Bank loans	919,481	1,206,669

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. 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.

22 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 company's income or the value of its holdings of financial instruments.

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

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

The company's risk management strategy is to protect the company 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 company's forecasted floating-rate debt facility to the extent that it is practicable and cost effective to do so.

Sensitivity analysis

Since all of the company'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 2020 would be recognised largely in other comprehensive income ("OCI") as follows:

- an increase in interest rates at 31 December 2020 by 25 basis points would have caused an increase in OCI of £14,379k ;

- a decrease in interest rates at 31 December 2020 by 25 basis points would have caused a decrease in OCI of (£14,791k).

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 company's planning process.

At 31 December 2020 the group had undrawn committed borrowing facilities of £187,915k (2019: £187,915k) and cash and cash equivalents of £33,109k (2019: £4,593k).

23 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 company may be required to pay.

	Less than 1 year £000	Between 1 and 5 years £000	More than 5 years £000	Total £000
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
At 31 December 2019				
Trade and other payables	19,425	-	-	19,425
Bank borrowings	310,503	182,015	731,868	1,224,386
Power curve upgrade kit liability	5,000	15,000	-	20,000
Interest on bank borrowings	26,309	85,177	134,822	246,308
Derivative financial instruments	12,031	39,684	41,763	93,478
	373,268	321,876	908,453	1,603,597

24 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, including the contractual changes to the company's hedging instruments and hedged transactions related to IBOR reform, that are expected to take effect no later than 31 December 2021 (refer to Note 2). The company would reflect such mismatch when modelling the hedged item for the purpose of measuring hedge ineffectiveness.

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
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)
2019					
Interest rate swaps	-	(77,868)	(19,904)	715,865	(25,299)
	-	(77,868)	(19,904)	715,865	(25,299)

24 Hedging instruments (Continued)

Cash flow hedges - OCI Reconciliation and P&L impacts

2020	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	73,947	39,858	(10,480)	103,325	275
	73,947	39,858	(10,480)	103,325	275
2019					
Interest rate swaps	52,436	30,031	(8,520)	73,947	1,929
	52,436	30,031	(8,520)	73,947	1,929

2020	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	60,102	43,223	103,325
	60,102	43,223	103,325
2019			
Interest rate swaps	27,258	46,689	73,947
	27,258	46,689	73,947

During 2020 the average strike price of the interest rate swap hedging instruments was 2.52% (2019: 2.54%).

25 Trade and other payables

Group	**Current**		**Non-current**	
	2020	**2019**	**2020**	**2019**
	£000	**£000**	**£000**	**£000**
Trade payables	16	4,558	-	-
Accruals	16,790	14,865	-	-
Other taxation	146	2	-	-
Power curve upgrade kit liability	-	-	15,000	19,813
	16,952	19,425	15,000	19,813

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 are planned to be paid bi-annually from June 2019 to June 2023 in equal instalments.

26 Lease liabilities

Group

Maturity analysis	**2020** **£000**	**2019** **£000**
Within one year	1,924	1,878
In two to five years	7,696	7,513
In over five years	32,974	34,072
Total undiscounted liabilities	42,594	43,463
Future finance charges and other adjustments	(13,569)	(14,166)
Lease liabilities in the financial statements	29,025	29,297

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:

	2020 **£000**	**2019** **£000**
Current liabilities	869	819
Non-current liabilities	28,156	28,478
	29,025	29,297

26 Lease liabilities **(Continued)**

Amounts recognised in profit or loss include the following:	2020 £000	2019 £000
Interest on lease liabilities	1,072	1,086

27 Deferred taxation

	2020 £000	2019 £000
Deferred tax liabilities	50,888	39,951
Deferred tax assets	(34,231)	(25,906)
	16,657	14,045

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

	Accelerated capital allowances £000	Other Items £000	Fair value movements on financial instruments £000	Tax losses £000	Total £000
Deferred tax liability at 1 January 2019	30,793	187	-	-	30,980
Deferred tax asset at 1 January 2019	-	-	(12,658)	(13,501)	(26,159)
Deferred tax movements in prior year					
Charge/(Credit) to profit or loss	9,065	(94)	604	-	9,575
Credit to other comprehensive income	-	-	(351)	-	(351)
Deferred tax liability at 31 December 2019	39,858	93	-	-	39,951
Deferred tax asset at 31 December 2019	-	-	(12,405)	(13,501)	(25,906)
Deferred tax movements in current 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 assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

28 Long term provisions

Group	**2020 £000**	**2019 £000**
Decommissioning provisions	83,343	103,974

Analysis of provisions

The provision for the decommissioning of the wind farm represents the net present value of the company'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 company commissioned an updated cost assessment as part of its Decommissioning Plan review, the results of which has 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 0.85% (2019: 1.29%).

Non-current liabilities	83,343	103,974

Movements on provisions:	**Decommissioning provisions £000**
At 1 January 2020	103,974
Change in estimate	(21,975)
Unwinding of discount	1,344
At 31 December 2020	83,343

29 Share capital

	2020 £000	**2019 £000**
Ordinary share capital		
Issued and fully paid		
235,600,976 Ordinary shares of 1p each	2,356	2,356

Reconciliation of movements during the year:

	Ordinary Shares Number
At 1 January 2020	235,600,976
At 31 December 2020	235,600,976

Shares allotted and cancelled during the year

During 2020 the company issued or cancelled no (2019: no) ordinary shares for an aggregate consideration of nil (2019: nil).

30 Share premium account

	2020 £000	2019 £000
At the beginning of the year	123,201	128,201
Share capital reduction	(72,000)	(5,000)
At the end of the year	51,201	123,201

31 Hedging reserve

Group	2020 £000	2019 £000
At the beginning of the year	(61,376)	(40,216)
Changes deferred in OCI	(39,198)	(29,373)
Movement in provision for unobservability	(660)	(658)
Reclassified to interest expense	10,480	8,520
Movement in year	(29,378)	(21,511)
Income tax related to OCI	7,061	351
Total movement in year	(22,317)	(21,160)
At the end of the year	(83,693)	(61,376)

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.

32 Other reserves

Group	Non-distributable reserve £000	Merger reserve £000	Total £000
Balance at 1 January 2019	(68,574)	35,462	(33,112)
Balance at 31 December 2019	(68,574)	35,462	(33,112)
Balance at 31 December 2020	(68,574)	35,462	(33,112)

32 Other reserves **(Continued)**

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

During 2015 the company 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.

Company	2020 £000	2019 £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 (2019: £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

33 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 £88,080k (2019 - £118,225k).

The total amount of other financial commitments not provided in the financial statements was £88,080k (2019 - £118,225k).

34 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	2019 £000
Loans and borrowings	919,481	1,206,669
Cash and cash equivalents	(33,109)	(4,593)
Net debt	886,372	1,202,076
Equity	(25,339)	63,129
Total capital	861,033	1,265,205

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 company's various borrowing facilities. There have been no breaches of covenants in the financial year ended 31 December 2020.

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 £33,800k and made distributions to shareholders in during the year in the form of dividends (£33,800k) and share premium repayments (£72,000k). The directors are satisfied that the company is meeting its capital management objectives.

35 Related party transactions

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

	Sale of goods		Purchase of goods and services	
	2020 £000	2019 £000	2020 £000	2019 £000
Entities with joint control or significant influence over the company	46,223	45,533	13,107	22,476
Other related parties	-	-	14,863	11,904
	46,223	45,533	27,970	34,380

35 Related party transactions **(Continued)**

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	**2020 £000**	**2019 £000**
Entities with joint control or significant influence over the company	-	2,781
Other related parties	-	753
	-	3,534

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

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	**2020 £000**	**2019 £000**
Entities with joint control or significant influence over the company	15,044	14,864

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

36 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

On 30 June 2020, RWE AG, through its subsidiaries, acquired the renewable energy division of innogy SE, including the entire shareholding of RWE Renewables UK Holdings Limited (formerly Innogy Renewables UK Holdings Limited). After this date, the ultimate parent company of the shareholder was no longer E.ON SE but was RWE AG, a company incorporated in Germany.

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

37 Events after the reporting date

Important non-adjusting events after the reporting period

On 26 January 2021, the company's subsidiary, Galloper Wind Farm Limited, proposed a dividend of £20,000k to be paid out of retained earnings at 31 December 2020 to Galloper Wind Farm Holding Company Limited, the dividend was paid on 29 January 2021.

Subsequently on 26 January 2021 the company proposed a dividend of £20,000k to be paid out of retained earnings at 31 December 2020, the dividend was paid on 29 January 2021.