Farr Windfarm Limited

Annual report and financial statements
Registered number SC166005
Year ended 31 December 2021

Contents

Strategic report

The Directors present their Strategic report for the year ended 31 December 2021

Principal activities

The principal activity of Farr Windfarm Limited is the generation and sale of electricity from onshore wind turbines in the UK. The company operates one wind farm with an installed capacity of 92MW.

The company is an integral part of the Ventient Energy Group portfolio, has the same directors and consequently the strategic reports is both similar and consistent with the overall Ventient Group Strategy.

Farr Windfarm Limited is a subsidiary of Mobius Wind Holdings Limited. The company is a member of Ventient Energy Limited Group. The Company's Group parent, Ventient Energy Limited, has a total of 689.5MW of installed capacity across 34 wind farms in the UK. Ventient Energy Limited is, in turn, a subsidiary of Ventient Energy Sarl which is the second largest, non-utility, generator of onshore wind energy in Europe.

Business Review and Performance Summary

	2021	2020
	£'000	£'000
Revenue	16,810	19,970
Operating profit	5,780	10,870

Revenue for the year decreased to £16.81M (2020: £19.97M). and Gross Profit decreased to £5.77M (2020: £10.87M) both mainly due to severely reduced wind resource, particularly from July to September, but offset to an extent by higher sales prices.

Key Performance Indicators

KPI	**Unit of Measure**	**Actual 2021**	**Budget 2021**
Electricity Generation	GWh	206.84	247.28
Price	£/MW	81.10	77.00
Availability	%	95.07	95.04

Company electricity generation of 206.84GWh was 16.3% below plan (Budget 2021: 247.28GWh) mainly due to severely reduced wind resource, particularly from July to September. Average selling price per MWh at £81.10 was higher than plan (Budget 2021: £77.00) due to a rise in wholesale energy prices and an increase in ROC recycle price. Availability, a time measure of the windfarm readiness to generate electricity, irrespective of wind, was marginally above expected performance due to better efficiency and fewer than expected turbine faults.

Strategic report *(continued)*

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company and the mitigating factors taken by the Company, and the wider Ventient Group, against these risks are detailed below. The principal risks noted below are not all the risks faced by the Company but are those risks which the Company perceives as those which could have a significant impact on the Company's performance and future prospects.

The principal risks and uncertainties facing the business are linked to wind conditions, energy pricing secured, asset performance and market regulation:

- Wind resource falling significantly below expectations. This could have a negative impact on revenues and cash flows resulting in the Company and the Group being unable to meet their financing arrangements renegotiated in 2017 at the point of the Ventient Group formation. These originally consisted of a £610M loan (balance at 31 December 2021: £462M (2020: £492M) from a syndicate of eight banks and a loan from the owning Infrastructure Investment Fund (IIF) of £524M 31 December 2021: £128M (2020: £147M). This is mitigated by the Group financing covenants which are set or hurdled against a low wind stress test cash flow modelling to ensure any one low wind year will not impact the Company's ability to meet the Company's future long-term obligations.

- Significant turbine serial defect or early end of life failure. This would have a negative impact on revenue and cash flows resulting in potential impairment of the tangible assets and the Company and the Group being unable to meet their financing arrangements as detailed above. The Ventient Group's wind farms are appropriately insured against the impact of serial defect with suitable Property Damage and Business Interruption Policies.

- A significant failure of the electricity grid or infrastructure on or near a wind farm. A large prolonged event would have a negative impact on turnover and cash flows resulting in potential impairment of the assets. The business ensures all appropriate maintenance and monitoring is carried out on its wind farm sites. The wind farms are appropriately insured against loss of grid through business interruption policies.

- Power Price falling significantly below market forecast which the Ventient Group obtains from third party energy market data providers (e.g.Poyry). This would have a negative impact on turnover and cash flows resulting in potential impairment of the tangible assets and the Company and the wider Ventient Group being unable to meet future obligations as they fall due. All wind farms have ROC inflated to RPI annually, guaranteed under the UK government Renewable Obligation Scheme. They also benefit from a Power Purchase Agreement with an Investment level off-taker. This risk to meeting finance obligations is mitigated by modelling cash flows against a low power price assumption produced by independent energy consultants.

- Performance falling below expectations: The availability to generate of our windfarms is an important driver of revenue after considering price and wind. The Company and Ventient Group maintains strong in-house skills and presence, along with a comprehensive control room infrastructure and asset performance activities, all of which combine towards the goal of maintaining and improving individual turbine and windfarm availability.

- Regulation: Wind projects operate in a two-fold regulatory environment, involving specific renewables regulation and energy markets regulation. These two often intersect, not always in a beneficial manner for a renewable asset class or for particular generation locations. The Ventient Group, of which the Company is a subsidiary, maintains strong relationships with industry bodies as well as pursuing its own dialogues where possible to monitor, anticipate and model potential regulatory outcomes. Current charging reviews are ongoing by regulators and government and may result in reduced EBITDA if implemented, although any amounts are yet to be determined.

- Brexit: No significant economic effects have been experienced arising directly from the UK's departure from the European Union in 2020 however the Group continues to monitor market and economic data including gas and carbon prices, macroeconomic statistics and regulatory market updates to understand their impact on future price curves.

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

- Coronavirus (COVID19): As of 31 March 2022, following a hugely successful and comprehensive vaccination campaign, COVID risk in the UK has significantly decreased and almost all social restrictions have been lifted. It is not envisaged that there is currently a significant risk to VEL's ability to maintain its windfarm assets, however VEL remains in close contact with our suppliers, contractors and business partners to ensure continuous risk assessments for our business and our people and to ensure adherence to local government advice and guidelines.

Directors' Duties to Stakeholders (s172 statement)

Whilst sharing the same Directors as its ultimate UK parent, Ventient Energy Limited, Farr Windfarm Limited plays an active part in these key areas set out below which are the Group's approach to its stakeholder population.

The Directors through the course of their actions take a long-term outlook on the ownership, operation and growth of the Ventient business and these are driven by the needs of the stakeholders. The vision is to be a trusted partner, providing value driven, innovative and responsible solutions for the energy needs of the future. The Ventient Group strives to be a partner of choice for employees, suppliers, landowners and local communities.

The Ventient Group has integrated environmental, social and governance (ESG) matters into all aspects of how it conducts operations. The Company's focus in these areas helps to ensure that the business model is sustainable and focused on the long-term. Priorities in 2021 have also included:

Demonstrating effective stewardship in the communities where the Ventient Group operates

- Implementing a stakeholder engagement plan to maintain strong and positive long-term relationships with our various stakeholders

Ensure the safety and engagement of our people

- Aim for zero serious safety incidents by implementing an effective safety culture across the business
- Expansion of our safety reports scheme and transformation of reports into charitable donations

Minimise the impact of our activities on the environment

- Offsetting our carbon footprint with the aim of fully offsetting our entire CO2 production by 2023.
- New processes for monitoring energy consumption and emissions generated by our business travel
- Expansion of our initiatives in harvesting and filtering of rainwater to further reduce CO2 emissions

Conducting our business responsibly

- Implementation of a new GRESB committee to support standardisation of HSQE (health, safety, quality and environment) protocols and GRESB submissions, improving data collection and transparency

ENVIRONMENTAL

Farr Windfarm Limited is very proud to have a positive impact in helping reduce carbon emissions. Onshore wind represents an efficient low-cost method of renewable generation which can deliver benefits locally, nationally and internationally. It's one of the fastest growing sources of energy generation in the world.

The business intends to continue to increase positive environmental impact and is further committed to minimising the environmental impact of our operations as it does so.

SOCIAL

Farr Windfarm Limited takes great pride in supporting the communities around our windfarm sites. Landowners who host the Company's project are key contributors to the success and Farr Windfarm Limited works closely with them to ensure a strong mutually beneficial relationship.

The Company believes that building strong partnerships with all stakeholders is good for our business. Farr Windfarm Limited actively listens to the concerns of the local communities in which it operates and is committed to a process of continuous engagement with all parties who have an interest in our activities. Farr Windfarm Limited is a local employer and, where possible, wind farm sites employ regionally based staff and contractors to maintain each project.

Strategic report *(continued)*

Directors' Duties to Stakeholders (s172 statement) *(continued)*

GOVERNANCE

Farr Windfarm Limited is committed to the highest standards of corporate governance and the company's board of directors is composed of expert professionals with a vast range of experience, including energy, finance, M&A, and governance. This ensures that high standards are set for the Company, its employees and offices with an aim to foster a culture of performance, transparency and accountability.

Being a responsible business means maintaining fair and effective business practices. The Company has implemented strong governance practices to ensure that business is conducted to the highest standards of honesty and integrity while complying with all legal and regulatory requirements. The Ventient Group's Code of Ethics stipulates the minimum ethical standards of conduct Farr Windfarm Limited expects from employees, affiliates of the company as well as third party contractors providing services to the company. These standards include the following:

- ensure the health and safety of employees, contractors and guests
- create and maintain a tolerant workplace free from discrimination and harassment
- ensure a clean, safe and healthy environment in all practices
- know and comply with all laws and regulations applicable to your position
- ensure that all business transactions are properly authorized, that the books and records of the Company are complete and accurate and that the Company provides complete and accurate disclosure to its shareholders and government authorities
- avoid situations in which your personal interests' conflict or appear to conflict with the interests of the Company
- protect the confidentiality of non-public information concerning the Company and its customers, contractors and shareholders
- not make promises, payments or authorise any gifts or anything of value on behalf of the Company, whether directly or indirectly, to government officials to obtain or retain business
- comply with all applicable Company policies, including those that bar personal or corporate political contributions intended to influence investment decisions by pension funds
- exhibit personal behaviour, both inside and outside of the workplace, which is consistent with and reinforces a positive public image of the Company.

Future Developments

It is not anticipated that the activities of the Company will substantially change in the immediate future.

On behalf of the Board

Pablo Andres

P Andres
Director

12 August 2022

Registered office: 50 Lothian Road,
Festival Square , Edinburgh, Scotland,
EH3 9WJ

Directors' report

The Directors present their Directors' report and financial statements for Farr Windfarm Limited (the "Company") for the year ended 31 December 2021. The Company, for the purposes of the Companies Act, satisfies the criteria that it is classed as a medium-sized company.

Results and dividends

The profit after tax for the year amounted to £4.92 million (2020: £8.19 million).

No dividends were paid or proposed in the year or to the date of this report (2020: £nil).

Financial Risk Management

The company aims to minimise financial risk as far as it possibly can. The main purpose of the Company's financial instruments is to provide working capital for the Company's continuing activities and provide funding for future activities. Given the nature of the Company's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact exposure is spread over several counterparties and customers who are of investment grade status. The main strategies for the Company financial instruments are outlined below:

- Trade Receivables: Power Price agreements are used to fix the electricity price and reduce the exposure to fluctuating market power prices. Customers or off takers are investment grade status
- Cash and Cash Equivalents: Cash flows are monitored regularly in order to meet bank covenant ratios and excess cash balances are returned to the owning stakeholder. There are no significant currency exposures
- Trade Payables: significant suppliers such as operating and maintenance service providers are assessed for their financial viability and incentivised to achieve levels of windfarm performance. Again there is little direct exposure to supplier related foreign currency transactions.

Going Concern

As detailed in note 1.3, the Directors are of the opinion that it is appropriate to adopt the going concern basis in the preparation of these financial statements.

Directors

The Directors of the Company during the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

M R Jones
P Andres
D H Griffiths (resigned 2 March 2021)
R J Maia da Silva (appointed 3 September 2021)

Directors' report *(continued)*

Directors' indemnity and insurance

Throughout the financial year and at the date of approval, both qualifying third party directors' and officers' liability insurance, and directors' indemnity provision, were in force.

Political contributions

The Company did not make any political donations or incur any political expenditure during the year (2020: £nil).

Stakeholder Engagement

The Directors recognise their responsibilities in respect of stakeholder engagement. Details of the Company's approach are set out in the Strategic report on pages 4 and 5.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 5.

On behalf of the Board

P Andres
Director

12 August 2022

Registered office: 50 Lothian Road
Festival Square Edinburgh, Scotland
EH3 9WJ

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	2	**16,811**	19,970
Cost of sales		**(11,040)**	(9,102)
Gross profit		**5,771**	10,868
Administrative expenses		**12**	(1)
Operating profit	3	**5,783**	10,867
Finance expense	5	**(113)**	(69)
Profit before taxation		**5,670**	10,798
Taxation	6	**(753)**	(2,604)
Profit for the financial year	14	**4,917**	8,194
Total comprehensive income for the year		**4,917**	8,194

The notes on pages 12 to 25 form part of these financial statements.

Balance Sheet
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Property, plant and equipment	7	**25,573**	27,540
		25,573	27,540
Current assets			
Trade and other receivables	10	**81,170**	73,644
Cash at bank and in hand		**1,151**	2,944
		82,321	76,588
Creditors: amounts falling due within one year	11	**(9,103)**	(11,056)
Net current assets		**73,218**	65,532
Total assets less current liabilities		**98,791**	93,072
Creditors: amounts falling due after more than one year	12	**(772)**	(852)
Provisions for liabilities			
Deferred tax liabilities	9	**(4,164)**	(3,400)
Other provisions	13	**(6,042)**	(5,924)
		(10,206)	(9,324)
Net assets		**87,813**	82,896
Capital and reserves			
Called up share capital	14	**-**	-
Profit and loss account	14	**87,813**	82,896
Total equity		**87,813**	82,896

For the financial year ended 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its financial statements for the year ended 31 December 2021 in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The notes on pages 12 to 25 form part of these financial statements.

The financial statements on pages 9 to 25 were approved by the board of Directors on 12 August 2022 and were signed on its behalf by:

Pablo Andres

P Andres
Director
Company registration no. SC166005

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital £'000	Profit and loss account £'000	**Total equity £'000**
At 1 January 2021	-	82,896	**82,896**
Total comprehensive income for the year			
Profit for the financial year	-	4,917	**4,917**
Total comprehensive income for the year	-	4,917	**4,917**
Balance at 31 December 2021	**-**	**87,813**	**87,813**

	Called up share capital £'000	Profit and loss account £'000	**Total equity £'000**
At 1 January 2020	-	74,702	**74,702**
Total comprehensive income for the year			
Profit for the financial year	-	8,194	**8,194**
Total comprehensive income for the year	-	8,194	**8,194**
Balance at 31 December 2020	**-**	**82,896**	**82,896**

Notes to the Financial Statements

1 Accounting policies

1.1 Basis of preparation

Farr Windfarm Limited is a private company, limited by shares, incorporated, domiciled and registered in the UK. The registered number is SC166005 and the registered address is 50 Lothian Road Festival Square Edinburgh, Scotland EH3 9WJ.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006, as applicable to companies using FRS101.

The accounting policies set out below have been applied consistently in these financial statements.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in section 1.14.

The Company's financial statements are presented in sterling, which is the Company's functional currency.

The Company's Group parent undertaking, Ventient Energy Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Ventient Energy Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, C/O Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of accrued income balances.

As the consolidated financial statements of Ventient Energy Limited, the Company's Group parent undertaking, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value measurement and the disclosures required by IFRS 7 Financial Instrument disclosures.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis. All values are rounded to the nearest thousand (£'000) except where otherwise stated.

Notes to the Financial Statements

1 Accounting policies (continued)

1.3 Going concern

The financial statements have been prepared on the going concern basis. The Directors believe this to be appropriate for the following reasons:

The Company is dependent for its working capital on funds provided to it by entities within the Ventient Energy Limited Group ('the Group'). This Group is also subject to common bank loan arrangements. The Group Parent, Ventient Energy Limited, has confirmed that it will provide sufficient funds to allow the Company to meet its financial liabilities and obligations as they fall due for a period of at least twelve months after the date upon which the statutory financial statements of the Company are finalised by directors' approval. The Group Parent has confirmed that any intercompany balances, which are due on demand, will not be called for if such repayment would be likely to give rise to the inability of the Company to meet its financial liabilities and obligations as they fall due.

The Group Parent, has sufficient resources to make this commitment, and forecasts that it will continue to operate within its restrictive borrowing covenants for at least the next twelve months.

As such, the Directors consider that the support of the Group Parent will enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at amortised cost. Subsequent to initial recognition an estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

Trade and other payables

Trade and other payables are carried at cost.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs (including interest) directly attributable to bringing the asset to a working condition for its intended use. During the construction phase these assets are held separately and depreciation commences once the asset is commissioned.

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the final economic benefits will flow to the Group. The carrying amount of the asset replaced is then derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets less the residual value. The estimated useful lives are as follows:

Wind farm assets	20 - 25 years
Decommissioning assets	20 - 25 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes to the Financial Statements

1 Accounting policies (continued)

1.6 Leases

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if the rate can be determined, or the Company's incremental borrowing rate appropriate for the right-of-use asset arising from the lease.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

1.7 Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes to the Financial Statements

1 Accounting policies (continued)

1.8 Provisions

Decommissioning of wind farms

A provision is made for the decommissioning of the wind farms based on the Company's best estimate of the cost of decommissioning. These costs are a contractual obligation when the planning consent is granted to ensure appropriate restoration of the land.

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 as a decommissioning asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed at each balance sheet date. Changes in the estimated timing and value of decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset cost. The unwinding of the discount on the decommissioning provision is included as a finance cost.

1.9 Revenue

Revenue is the income derived from the sale of generated electricity and associated renewable certificates and embedded benefits, measured at the fair value of consideration received or receivable, net of value added tax to electricity retailers. All revenue is generated in the United Kingdom.

Revenue is recognised where there is a signed unconditional contract of sale and is based upon the quantity of generated electricity exported and the contracted prices on the date of generation.

The company is obliged to deliver power and to record the quantity and value accurately. These obligations are satisfied when the wholesale customer submits monthly self-billing statements of usage and these have been matched to the Company's generation records.

1.10 Expenses

Royalty payments

Royalty payments to landlords are recognised in the income statement as they accrue, based on the terms of the agreement with the landlord at each site.

1.11 Finance expense

Interest payable is recognised in the profit and loss account as it accrues, using the effective interest method. Costs incurred in raising finance are capitalised and amortised over the length of the borrowing. Additional costs incurred due to the redemption of a facility are charged to the income statement in the year in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time (more than 12 months) to be prepared for use, are capitalised as part of the cost of that asset.

1.12 Finance income

Interest income arises on cash deposits and funds invested and is recognised in the income statement as it accrues, using the effective interest method.

Notes to the Financial Statements

1 Accounting policies (continued)

1.13 Taxation

Tax on the profit or loss 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 directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14 Accounting estimates and judgments

In the process of applying the Company's accounting policies, management necessarily makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgments and estimates are explained below.

Impairment

In assessing impairment, judgment is required to establish whether there have been indicators of impairment for all amortising and depreciating fixed assets.

Once the need to determine the recoverable amount of an asset has been identified, valuation requires estimation of future cash flows and/or determining a fair value of the asset.

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 income statement. 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.

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 an annual 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. In estimating decommissioning provisions, the Company applies annual inflation rate of 3.2% (2020: 2.6%) and discount rate of 1.3% (2020: 0.5%).

1.15 Adopted IFRS not yet applied

Other accounting standards and interpretations have been published and will be mandatory for the Company's accounting period beginning on or after 1 January 2022 or later periods. The impact of these standards is not expected to be material to the reported results and financial position of the Company.

Notes to the Financial Statements

2 Revenue

The company derives revenue from the sale of electricity generated from onshore wind turbines in the UK. Other sources of revenue includes curtailment, liquidated damages and temporary agreements.

	2021	2020
	£'000	£'000
Income from external sources	**12,452**	12,083
Other sources of revenue	**4,359**	7,887
	16,811	19,970

Economic factors that can affect the nature and uncertainty of revenue are the impact of the wholesale energy price on our variable Purchase Price Agreements (PPAs). The majority of our PPAs are fixed and others are affected by changes in the traded power market price.

For any revenue stream driven by generation (Traded Power, Balancing Services Use of System (BSUoS), the performance obligation is satisfied by the transfer of power. This is reconciled in the month of invoicing through the receipt of a customer statement, the Company invoice, and subsequent payment.

3 Operating profit

	£'000	£'000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**3,549**	2,569
- which includes depreciation of right of use assets	**69**	69
Payments to landlords for royalties	**1,286**	1,356

The Company was not audited in the year ended 31 December 2021 and hence there are no audit costs. The Company was audited in the previous financial year. The cost of £8,000 was borne by another Group entity, Ventient Energy Services Limited, and was not recharged to the Company.

4 Staff numbers and costs

During the current year and prior year the Directors were remunerated for services provided to the Ventient Energy Limited Group. In both the current year and prior year any remuneration specific to qualifying activities performed solely in relation to the Company were trivial and were not recharged to the Company. The Company had no employees, apart from Directors during the current year or prior year.

5 Finance expense

	2021	2020
	£'000	£'000
Finance expense		
Interest on lease liability	**(38)**	(41)
Unwinding of discount on decommissioning provision	**(75)**	(28)
Total finance expense	**(113)**	(69)

Notes to the Financial Statements

6 Taxation

Recognised in the Statement of Comprehensive Income

	2021	2020
	£'000	£'000
Current tax		
Current period	**-**	(2,366)
Adjustment in respect of prior periods	**11**	(67)
Current tax credit/(charge)	**11**	(2,433)
Deferred tax		
Origination and reversal of temporary differences	**(767)**	(177)
Adjustment in respect of prior periods	**3**	6
Deferred tax charge	**(764)**	(171)
Total tax charge	**(753)**	(2,604)

Reconciliation of effective tax rate

	2021	2020
	£'000	£'000
Profit before taxation	**5,670**	10,798
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(1,077)**	(2,051)
Non-deductible expenses	**(161)**	(109)
Recognition of DT on IFRS 16	**6**	-
Adjustment in respect of prior periods	**15**	(60)
Difference between the DT and CT rates	**(884)**	(384)
Tax impact of group relief claims	**1,263**	-
Permanent timing adjustments	**85**	-
Total tax charge	**(753)**	(2,604)

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The 25% rate was substantively enacted on 10 June 2021. The deferred tax balances at 31 December 2021 have been measured using the rates that apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

Notes to the Financial Statements

7 Property, plant and equipment

	Wind farm assets £'000	Decommissioning assets £'000	Total £'000
Cost			
At 1 January 2020	68,199	5,109	73,308
Additions	156	-	156
Uplift due to reassessment of provision	-	179	179
At 31 December 2020	**68,355**	**5,288**	**73,643**
At 1 January 2021	68,355	5,288	73,643
Additions	1,539	-	1,539
Uplift due to reassessment of provision	-	43	43
At 31 December 2021	**69,894**	**5,331**	**75,225**
Accumulated depreciation			
At 1 January 2020	41,419	2,115	43,534
Charge for the year	2,291	278	2,569
At 31 December 2020	**43,710**	**2,393**	**46,103**
Accumulated depreciation			
At 1 January 2021	43,710	2,393	46,103
Charge for the year	3,267	282	3,549
At 31 December 2021	**46,977**	**2,675**	**49,652**
Net book value			
At 31 December 2021	**22,917**	**2,656**	**25,573**
At 31 December 2020	24,645	2,895	27,540

Notes to the Financial Statements

8 Leases

The Company has lease contracts for windfarm assets used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the Balance Sheet

The Balance Sheet shows the following amounts relating to leases:

	2021	2020
	£'000	£'000
Right-of-use-asset		
Windfarm assets	**620**	689
	620	689
Lease liabilities		
Current	**80**	77
Non-current	**772**	852
	852	929

Right of use assets are included in Windfarm assets (Note 7).

Notes to the Financial Statements

8 Leases (continued)

(ii) Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Depreciation charge of right-of-use assets		
Wind farm assets	**69**	69
	69	69
Interest expense (Note 5)	**38**	41
Expenses relating to variable lease payments not included in lease payments	**1,171**	1,241

Future minimum lease payments as at 31 December 2021 and 31 December 2020 as follows:

	2021 £'000	2020 £'000
Not later than one year	**115**	115
Later than one year and not later than five years	**460**	460
Later than five years	**460**	575
Total gross payments	**1,035**	1,150
Impact of finance expense	**(183)**	(221)
Carrying amount of liability	**852**	929

The leases include windfarms. Rental contracts are typically made for fixed periods of up to 30 years, there may be options to extend.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Notes to the Financial Statements

9 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Property, plant and equipment	**-**	-	**(4,208)**	(3,438)	**(4,208)**	(3,438)
IFRS 16	**44**	38	**-**	-	**44**	38
	44	38	**(4,208)**	(3,438)	**(4,164)**	(3,400)

Movement in deferred tax during the year

	1 January 2021	Recognised in income	**31 December 2021**
	£'000	£'000	**£'000**
Property, plant and equipment	(3,438)	(770)	**(4,208)**
IFRS 16	38	6	**44**
	(3,400)	(764)	(4,164)

Movement in deferred tax during the prior year

	1 January 2020	Recognised in income	31 December 2020
	£'000	£'000	£'000
Property, plant and equipment	(3,267)	(171)	(3,438)
IFRS 16	38	-	38
	(3,229)	(171)	(3,400)

Notes to the Financial Statements

10 Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	**1**	1
Amounts owed by group undertakings	**79,270**	71,485
Other debtors	**65**	64
Prepayments and accrued income	**1,834**	2,094
	81,170	73,644

11 Creditors: amounts falling due within one year

	Note	**2021**	2020
		£'000	£'000
Lease liabilities	8	**80**	77
Trade creditors		**846**	493
Amounts owed to group undertakings		**7,165**	4,738
Taxation		**-**	4,865
Other creditors		**562**	516
Accruals		**450**	367
		9,103	11,056

12 Creditors: amounts falling due after more than one year

	Note	**2021**	2020
		£'000	£'000
Lease liabilities	8	**772**	852
		772	852

Notes to the Financial Statements

13 Other provisions

	Decommissioning provisions £'000
At 1 January 2021	5,924
Discount unwind during the year	75
Uplift due to reassessment during the year	43
At 31 December 2021	6,042

	Decommissioning provisions £'000
At 1 January 2020	5,717
Discount unwind during the year	28
Uplift due to reassessment during the year	179
At 31 December 2020	5,924

All provision balances at 31 December 2021 and 31 December 2020 are non-current.

Decommissioning provision

The provision for the decommissioning of the windfarms 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. The provision was re-estimated at the end of the year to reflect current management expectations of the future liability.

The closing provision has been discounted to its present value based on the yield on a UK gilt maturing at the end of wind farm's economic life.

Decommissioning assets are recognised to match the decommissioning liability, refer to Note 7. Unwinding of discount amount is recognised only in the decommissioning liability.

Decommissioning costs were last assessed by an independent expert in February 2017.

Notes to the Financial Statements

14 Capital and reserves

Called up share capital

	2021	2020	**2021**	2020
	Number	Number	**£'000**	£'000
Allotted, called up and fully paid				
Ordinary shares of £1	**2**	2	**-**	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Profit and loss account

This reserve account records retained profits.

	2021	2020
	£'000	£'000
At 1 January	**82,896**	74,702
Profit for the financial year	**4,917**	8,194
At 31 December	**87,813**	82,896

15 Related parties

There were no transactions between the Company and Ventient Energy Limited during the periods from 1 January 2021 to 31 December 2021 and from 1 January 2020 to 31 December 2020. There are no other related parties to be disclosed.

16 Ultimate parent company and ultimate controlling party

The immediate parent undertaking is Beaufort Wind Limited which does not produce consolidated financial statements.

The head of the largest group for which consolidated financial statements are prepared and of which the Company is a member is Ventient Energy Sarl, a Luxembourg registered entity which has a registered address of 11 Boulevard De la Foire, L-1528 Luxembourg.

The ultimate parent company is IIF International Holding LP, an entity 100% owned by institutional investors and so there is no ultimate controlling party. IIF International Holding LP is a Cayman Islands exempted limited partnership advised by JP Morgan Investment Management, a registered investment advisor regulated by the US Securities and Exchange Commission and which is a wholly owned subsidiary of JP Morgan Chase & Co.