

Registration number: 06494525

DONG Energy West of Duddon Sands (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015

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DONG Energy West of Duddon Sands (UK) Limited

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DONG Energy West of Duddon Sands (UK) Limited

Company Information

Directors	Benjamin Sykes Gavin Rooke Robert Helms
Registered office	5 Howick Place London England SW1P 1WG
Independent Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

DONG Energy West of Duddon Sands (UK) Limited

Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Strategy

The principal activity of the Company is the generation of electricity in the UK through the use of offshore wind technology.

The Company's strategy is to maximise the lifetime value of the wind farm through active condition monitoring and maintenance to maintain high levels of availability and production. The Company has a long-term offtake agreement which provides secure revenues from power sales.

Objectives

The Company's strategic objectives are:

- Achieving zero accidents and breaches of environmental standards;
- Maximising energy production through high levels of availability;
- Maintaining long term asset condition and reliability;
- Optimising costs.

Principal risks and uncertainties

The principal risk of the business relates to the ability of the company to run its operations in a financially efficient manner, which is mitigated through meeting its business objectives.

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

DONG Energy West of Duddon Sands (UK) Limited

Strategic Report for the Year Ended 31 December 2015

Key Performance Indicators and review of the business

The Company measures its performance in line with its strategic objectives. Key performance indicators (KPIs) are used to measure progress against agreed targets for safe, responsible and sustainable operations.

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


	2015	2014
	£	£
Revenue	220,216,874	46,775,465
Profit before tax	16,843,784	(5,191,335)
Company's net asset position	191,576,907	184,995,911

The company's key non-financial performance indicator is wind farm availability. The level of availability is achieved by the company monitoring the effectiveness and efficiency of the wind farm on a regular basis. For the current and prior year the availability was broadly in-line with management's expectation.

Future outlook

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

Approved by the Board on 13 May 2016 and signed on its behalf by:


.....
Benjamin Sykes
Director

DONG Energy West of Duddon Sands (UK) Limited

Directors' Report for the Year Ended 31 December 2015

The directors present their report and the audited financial statements of DONG Energy West of Duddon Sands (UK) Limited for the year ended 31 December 2015.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Benjamin Sykes

Mads Skovgaard-Andersen (resigned 2 September 2015)

Gavin Rooke

Robert Helms (appointed 2 September 2015)

Principal activity

The principal activity of the company is the operation of an offshore Wind Farm.

Dividends

During the year a dividend of £ nil was paid (2014: £ nil). The directors do not recommend a payment of a final dividend (2014: £ nil).

Financial risk

Objectives and policies

The company's operations expose it to a variety of financial risks that include the effects of price risk, liquidity risk, credit risk, cash flow risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company and being part of a larger group with group wide policies and risk management procedures, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

The company enters into contractual arrangements, which guarantee fixed revenue for the output of the wind farm. In addition to this, price risk is mitigated through contractual arrangements, by fixing a large part of the company's costs.

Credit risk

The company's policy seeks to mitigate its credit risks by systematically credit rating counterparties, by using Standard & Poor's and Moody's ratings, financial standard contracts and by requiring collateral. Management have continuously monitored allocated credit lines.

Liquidity risk

The company utilises appropriately termed finance, which is designed to ensure the company has sufficient funding available for operations.

Cash flow risk

The company has no long-term debt. The company does however have overdraft balances of which carry interest at floating rates. The directors will continue to monitor the appropriateness of this arrangement.

DONG Energy West of Duddon Sands (UK) Limited

Directors' Report for the Year Ended 31 December 2015

Directors liabilities

The Company has in effect directors' indemnity insurance. This is a qualifying third party indemnity provision and was in force during the financial year and at the date of the approval of the financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board on 13 May 2016 and signed on its behalf by:



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Benjamin Sykes
Director

DONG Energy West of Duddon Sands (UK) Limited

Independent Auditors' Report to the members of DONG Energy West of Duddon Sands (UK) Limited

Report on the financial statements

Our opinion

In our opinion, DONG Energy West of Duddon Sands (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statement (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

DONG Energy West of Duddon Sands (UK) Limited

Independent Auditors' Report to the members of DONG Energy West of Duddon Sands (UK) Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.


Peter Acloque (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 13 May 2016

DONG Energy West of Duddon Sands (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2015

		2015	(As restated) 2014
	Note	£	£
Revenue	4	220,216,874	46,775,465
Cost of sales		<u>(179,194,491)</u>	<u>(28,962,195)</u>
Gross profit		41,022,383	17,813,270
Administrative expenses		<u>(12,614,257)</u>	<u>(13,041,730)</u>
Operating profit		<u>28,408,126</u>	<u>4,771,540</u>
Finance income	8	516,042	62,774
Finance expenses	9	<u>(12,080,384)</u>	<u>(10,025,649)</u>
		<u>(11,564,342)</u>	<u>(9,962,875)</u>
Profit/(loss) on ordinary activities before tax		16,843,784	(5,191,335)
Tax on profit/(loss) on ordinary activities	7	<u>(4,662,788)</u>	<u>1,542,969</u>
Profit/(loss) for the year		<u>12,180,996</u>	<u>(3,648,366)</u>
Total comprehensive income / (expense) for the year		<u>12,180,996</u>	<u>(3,648,366)</u>

The above results were derived from continuing operations.

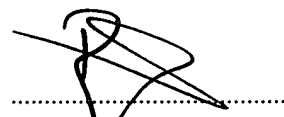
DONG Energy West of Duddon Sands (UK) Limited

(Registration number: 06494525)

Statement of Financial Position as at 31 December 2015

	Note	2015 £	(As restated) 2014 £
Fixed assets			
Property, plant and equipment	10	526,655,527	719,816,611
Investments	11	3	3
Deferred tax assets	7	1,044,623	2,791,605
		<u>527,700,153</u>	<u>722,608,219</u>
Current assets			
Trade and other receivables	12	108,771,594	61,867,124
Income tax receivable	7	-	2,915,806
Cash		3,405,202	95,119
		<u>112,176,796</u>	<u>64,878,049</u>
Creditors: Amounts falling due within one year			
Trade and other payables	18	(38,049,913)	(54,514,544)
Deferred income	19	(6,600,000)	-
Creditors: Amounts falling due within one year		<u>(44,649,913)</u>	<u>(54,514,544)</u>
Net current assets		<u>67,526,883</u>	<u>10,363,505</u>
Total assets less current liabilities		595,227,036	732,971,724
Creditors: Amounts falling due after more than one year			
Loans and borrowings	15	(375,000,000)	(510,000,000)
Provisions for liabilities	17	(28,650,129)	(37,975,813)
Net assets		<u>191,576,907</u>	<u>184,995,911</u>
Equity			
Share capital	13	8,969,784	8,969,784
Share premium		199,999,800	199,999,800
Other reserves	14	10,200,000	15,800,000
Retained earnings		(27,592,677)	(39,773,673)
Total shareholders' funds		<u>191,576,907</u>	<u>184,995,911</u>

Approved by the Board on 13 May 2016 and signed on its behalf by:



 Benjamin Sykes
 Director

DONG Energy West of Duddon Sands (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Called up share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
At 1 January 2015	8,969,784	199,999,800	15,800,000	(39,773,673)	184,995,911
Profit for the year	-	-	-	12,180,996	12,180,996
Other capital redemption reserve movements	-	-	(5,600,000)	-	(5,600,000)
At 31 December 2015	<u>8,969,784</u>	<u>199,999,800</u>	<u>10,200,000</u>	<u>(27,592,677)</u>	<u>191,576,907</u>
	Called up share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
At 1 January 2014	8,969,784	199,999,800	15,800,000	(36,125,307)	188,644,277
Loss for the year	-	-	-	(3,648,366)	(3,648,366)
At 31 December 2014	<u>8,969,784</u>	<u>199,999,800</u>	<u>15,800,000</u>	<u>(39,773,673)</u>	<u>184,995,911</u>

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

5 Howick Place

London

England

SW1P 1WG

These financial statements were authorised for issue by the Board on 13 May 2016.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the company has prepared in accordance with FRS 101. The effective transition date was 1 January 2014. The accounting policies which follow set out the policies applied in preparing the financial statements for the year ended 31 December 2015.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006.

The company is a subsidiary of DONG Energy Power (UK) Limited and it is included in the consolidated financial statements of DONG energy A/S, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Summary of disclosure exemptions

The company has applied FRS101 reduced disclosure framework, as it meets the requirements of FRS101.

The company has taken advantage of the following FRS 101 disclosure exemptions;

- No requirement to present an opening statement of financial position for qualifying entities adopting FRS101 for the first time (IAS 1); general exemption applied by the company.
- No requirement to disclose standards in issue not yet effective (IAS 1); general exemption applied by the company.
- No requirement to present capital management disclosures (IAS 1); as company is not a financial institution.
- No requirement to prepare a cash flow statement (IAS 7); as company has no minority shareholders.
- No comparative reconciliations for share capital or property, plant and equipment or intangible assets (IAS 1; IAS 16 paragraph 73(e); IAS 38 paragraph 118(e)); exemption applied by the company.
- No disclosure of key management personnel compensation, except directors' remuneration disclosures required by law (IAS 24 paragraph 17).
- No disclosure is required of related party transactions with and between wholly owned subsidiaries (IAS 24); company has no minority shareholders.
- No disclosure of IFRS 7, 'Financial Instruments: Disclosures' requirements.
- No disclosure of IFRS 13, 'Fair value measurement' valuation techniques and inputs used for fair value measurement of assets and liabilities.

Transition to FRS 101

After applying the transition exemptions and associated policies on transition from UKGAAP to FRS10 there were remeasurements, which are set out in detail in the Transition Note under note 22.

Going concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management has taken into account all available information about the future, which is at least 12 months from the date the financial statements were signed.

Revenue recognition

Revenue is recognised in profit (loss) for the year when delivery and transfer of risk to the buyer have taken place and to the extent that the income can be measured reliably and is expected to be received. Revenue is measured at the fair value of the agreed consideration excluding VAT and other indirect taxes collected on behalf of third parties. All forms of discounts granted are recognised as revenue.

Revenue comprises sale of electricity at market prices and regulated prices (fixed tariffs and guaranteed minimum prices for green certificates), which is recognised at the production date.

Revenue generated from the sale of the OFTO asset is recognised on the sale date of the asset at selling price less cost of sale and any other future costs tied to the sale.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

Tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts and the tax base of assets and liabilities.

Deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability respectively. Deferred tax assets are recognised at the value at which they are expected to be utilised either by elimination against tax on future earnings or by offsetting against deferred tax liabilities.

Deferred tax is measured in accordance with the tax rules and tax rates that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit (loss) for the year.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of selfconstructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Cost is increased by the present value of the estimated obligations for decommissioning and restoration to the extent that they are recognised as a provision.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the company from the expenses incurred. Replaced parts are derecognised from the balance sheet, and their carrying amount is recognised in profit (loss) for the year. All other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

Depreciation

In the case of property, plant and equipment, cost is, as a rule, depreciated on a straight-line basis over the estimated future useful lives, which are:

Asset class	Depreciation method and rate
Wind farm	Straight line method over 20 years
Decommissioning asset	Straight line method over 20 years

Investments

Investments are stated at historical cost less provision for any diminution in value.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise of company bank account facilities and petty cash.

Receivables' group undertakings relating to cash pooling

The company is a participant in the group cash pooling arrangement of which DONG Energy A/S is pool master and legal bank account holder. The company has its own sub-accounts from which all transactions are executed. Balances held by the company under this revised arrangement are disclosed within amounts owed by/to group undertakings, representing amounts owed by/to the parent cash pool holder, DONG Energy A/S.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

Other receivables

Other receivables are amounts due from various business partners for non trade transactions during the ordinary course of business. If the receivables collection is expected in one year or less, they are classified as current assets, otherwise they are presented as non-current assets.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

General

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the company has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. (A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.)

Decommissioning provision

Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning and restoration as expected at the balance sheet date. The value of the provision is recognised in property, plant and equipment and depreciated together with the associated asset. The increase in time of the present value of the provision is recognised in profit (loss) for the year as financial expenses.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Leases

Lease payments under operating leases are recognised at cost in profit (loss) for the year over the term of the lease if the agreement concerns operating expenses.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax

Deferred tax assets, including the tax base of tax loss carry-forwards, are reassessed annually and recognised to the extent that it is probable that they will be utilised in the foreseeable future. Management's reassessment is based on future outlook of the investment plan and expected revenue generation.

Decommissioning Provisions

Estimates of decommissioning obligations are based on management's expectations concerning timing and scope, future cost level, and adopted laws and regulations on decommissioning. The timing of decommissioning obligations depends on the useful lives of the assets. In determining the discounting of decommissioning obligations at 31 December 2015, a discount rate of 4.5% is applied, the same discount rate that the Company applied at 31 December 2014. The applied discount rate of 4.5% is still expected to be applied over a prolonged period. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on the historical interest rate level. The extent to which decommissioning and restoration will be required is estimated based on current legislation and standards in this area. Expectations concerning the future cost level are based on variables such as expectations concerning the general price trend, demand conditions and the development in existing technologies.

Contingent liability

When exercising a judgement about a potential liability in connection with litigation, the nature of the litigation, claim or statement is assessed. Other factors taken into account are the development of the case, the judgements and recommendations of legal or other advisers, experience from similar cases, and management's decision on how the Group will react to the litigation, claim or statement.

Useful lives of production assets

The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future applications may subsequently prove not to be realisable, which may require useful lives to be reassessed.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

4 Revenue

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

All the revenue is generated from two lines of business and from one geographical location.

5 Auditors' remuneration

	2015	2014
	£	£
Audit of the financial statements	<u>13,151</u>	<u>20,060</u>

6 Staff costs

There were no (2014 : nil) employees during the year. The directors received no (2014 : £nil) emoluments during the year, in respect of their services to the company.

The directors were remunerated by other companies within the DONG Energy A/S group for their services to the group as a whole. It is not possible to allocate their remuneration between their services as directors of different group companies.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

7 Income tax

Tax expense/(credited) in the income statement

	2015 £	2014 £
Current taxation		
UK corporation tax adjustment to prior years	2,915,806	255,931
Deferred taxation		
Origination and reversal of timing differences	3,659,800	(1,798,900)
Adjustment in respect of prior years	(1,912,818)	-
Total deferred taxation	<u>1,746,982</u>	<u>(1,798,900)</u>
Tax expense/(receipt) in the income statement	<u>4,662,788</u>	<u>(1,542,969)</u>

The tax expense for the year is higher than the standard rate of corporation tax in the UK (2014 - lower than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

	2015 £	2014 £
Profit/(loss) before tax	<u>16,843,784</u>	<u>(5,191,335)</u>
Corporation tax at standard rate	3,410,866	(1,116,137)
Non taxable income	-	(936,003)
Expenses not deductible for tax purposes	177,161	118,322
Remeasurement of deferred tax - change in UK tax rate	71,773	134,918
Adjustments to tax charge in respect of prior years	<u>1,002,988</u>	<u>255,931</u>
Total tax expense/(credit)	<u>4,662,788</u>	<u>(1,542,969)</u>
	2015 £	2014 £
Income tax receivable	<u>-</u>	<u>2,915,806</u>

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

7 Income tax (continued)

Deferred tax Asset

	2015 £	2014 £
Deferred tax assets	<u>1,044,623</u>	<u>2,791,605</u>

Deferred tax movement during the year:

	At 1 January 2015 £	Recognised in income £	At 31 December 2015 £
Accelerated tax depreciation	(20,168,341)	(4,383,968)	(24,552,309)
Other items	395,571	305,710	701,281
Tax losses carry-forwards	<u>22,564,374</u>	<u>2,331,277</u>	<u>24,895,651</u>
Net tax assets/(liabilities)	<u>2,791,604</u>	<u>(1,746,981)</u>	<u>1,044,623</u>

Deferred tax movement during the prior year:

	At 1 January 2014 £	Recognised in income £	At 31 December 2014 £
Accelerated tax depreciation	(176)	(20,168,165)	(20,168,341)
Other items	5,200	390,371	395,571
Tax losses carry-forwards	<u>987,680</u>	<u>21,576,694</u>	<u>22,564,374</u>
Net tax assets/(liabilities)	<u>992,704</u>	<u>1,798,900</u>	<u>2,791,604</u>

Factors that might affect future tax charges

With effect from 1 April 2014, the UK main corporation tax rate changed from 23% to 21% and further reduced from 21% to 20% effective from 1 April 2015. These rate changes were substantively enacted on 2 July 2013. Further changes to the UK corporation tax rate were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to 19% from April 2017 and to 18% from April 2020. These rate changes were substantively enacted on 26 October 2015.

It was further announced that the rate of corporation tax will be cut to 17% by 2020. As this change has not been substantively enacted at the reporting date the deferred taxes were not remeasured to reflect this further reduction in the tax rate.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

8 Finance income

	2015 £	2014 £
Bank interest income	12,455	62,774
Interest income on group undertakings	885	-
Forex gains	502,702	-
	<u>516,042</u>	<u>62,774</u>

9 Finance expense

	2015 £	2014 £
Interest on bank overdrafts and borrowings	3,102	1,461,561
Interest expense on group undertakings	11,139,391	6,329,779
Foreign exchange losses	-	1,234,309
Unwinding of discount on decommissioning provision	937,891	1,000,000
	<u>12,080,384</u>	<u>10,025,649</u>

10 Property, plant and equipment

	Decommissioning Asset £	Assets Under Construction £	Wind Farm £	Total £
Cost or valuation				
At 1 January 2015 (As restated)	21,020,000	193,596,043	531,213,042	745,829,085
Decrease in decommissioning estimate	(6,083,755)	-	-	(6,083,755)
Additions	-	-	1,270,874	1,270,874
Other change in estimate (See Note A below)	-	(17,772,201)	-	(17,772,201)
Disposals	-	(141,478,695)	-	(141,478,695)
Transfers	-	(34,345,147)	34,345,147	-
At 31 December 2015	<u>14,936,245</u>	<u>-</u>	<u>566,829,063</u>	<u>581,765,308</u>
Accumulated depreciation				
At 1 January 2015	951,855	-	25,060,619	26,012,474
Charge for the year	980,258	-	28,117,049	29,097,307
At 31 December 2015	<u>1,932,113</u>	<u>-</u>	<u>53,177,668</u>	<u>55,109,781</u>
Carrying amount				
At 31 December 2014 (As restated)	<u>20,068,145</u>	<u>193,596,043</u>	<u>506,152,423</u>	<u>719,816,611</u>
At 31 December 2015	<u>13,004,132</u>	<u>-</u>	<u>513,651,395</u>	<u>526,655,527</u>

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

10 Property, plant and equipment (continued)

The depreciation charge for the year of £ 29,097,307 (2014: £26,012,474) is included in cost of sales.

Note A

Assets under construction were reduced by £17,700,000 due to overaccrual of capital expenditure costs in the prior year.

11 Investments

	2015 £	2014 £
Investments in subsidiaries	<u>3</u>	<u>3</u>

The directors believe that the carrying value of the investment is supported by the underlying net assets.

Subsidiaries	£
Cost	
At 31 December 2014	3
At 31 December 2015	<u>3</u>
Carrying amount	
At 31 December 2015	<u>3</u>
At 31 December 2014	<u>3</u>

Details of the subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2015	2014
Morecambe Wind Limited	Production and transmission of electricity	England and Wales	50%	50%

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

12 Trade and other receivables

	2015 £	2014 £
Trade receivables	3,557,524	1,192,007
Amounts owed by group undertakings	88,624,971	54,404,149
Prepayments	10,159,017	-
Other receivables	<u>6,430,082</u>	<u>6,270,968</u>
Total current trade and other receivables	<u>108,771,594</u>	<u>61,867,124</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

13 Share capital

Allotted, called up and fully paid shares

	2015 No.	£	2014 No.	£
Ordinary share capital of £1 each	<u>8,969,784</u>	<u>8,969,784</u>	<u>8,969,784</u>	<u>8,969,784</u>

14 Other reserves

	2015 £	2014 £
Opening balance	15,800,000	15,800,000
Other capital redemption reserve movement	<u>(5,600,000)</u>	<u>-</u>
	<u>10,200,000</u>	<u>15,800,000</u>

The above relates to the wake effect transaction, the wake effect relates to compensation that the company's direct parent has to pay to another wind farm due to the wake effect caused by the construction of the company's own wind farm.

15 Loans and borrowings

	2015 £	2014 £
Non-current loans and borrowings		
Other borrowings	<u>375,000,000</u>	<u>510,000,000</u>

Included in amounts owed to group undertakings is an unsecured loan of £375,000,000 (2014: £510,000,000) which carries interest at LIBOR plus 1.55% (2014: LIBOR plus 1.5%) and is wholly repayable on 16 December 2020.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

16 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2015 £	2014 £
Within one year	1,700,000	1,877,500
In two to five years	3,827,000	4,611,000
In over five years	12,166,000	17,144,000
	<u>17,693,000</u>	<u>23,632,500</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,127,500 (2014 - £1,498,500). Non-cancellable operating leases relate to the leasing of the seabed and land from which the company operates from and other leases for equipment which the company uses to operate the wind farm.

17 Provisions for liabilities

	Onerous contracts £	Decommissioning £	Total £
At 1 January 2015	15,929,813	22,046,000	37,975,813
Charged to the income statement	-	937,891	937,891
Decrease in estimates	-	(6,083,755)	(6,083,755)
Provisions used	(4,179,820)	-	(4,179,820)
At 31 December 2015	<u>11,749,993</u>	<u>16,900,136</u>	<u>28,650,129</u>

	Onerous contracts £	Decommissioning £	Total £
At 1 January 2014	-	6,475,000	6,475,000
Charged to the income statement	-	1,000,000	1,000,000
Increase from fair value adjustments	-	14,571,000	14,571,000
Recognised during the year	15,929,813	-	15,929,813
At 31 December 2014	<u>15,929,813</u>	<u>22,046,000</u>	<u>37,975,813</u>

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

17 Provisions for liabilities (continued)

The Decommissioning provision has been made under IAS37 for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 4.50% (2014 : 4.50%). Included within fixed assets is an amount of £13,004,132 (2014 : £20,068,145) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2016 and future years. The decommissioning asset is being depreciated over the expected life of the wind farm.

The onerous contracts provision represents the onerous lease obligation in respect of an agreement with DONG Energy Power (UK) Limited. The provision assumes that the lease will be onerous for the next 2 years. The full term of the lease obligation is 5 years with the lease running until 2017. The provision has not been discounted.

18 Trade and other payables

	2015	2014
	£	£
Trade payables	48,087	28,910,679
Accrued expenses	4,935,269	-
Amounts owed to group undertakings	32,373,337	19,253,290
Other payables	693,220	6,350,575
	<u>38,049,913</u>	<u>54,514,544</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19 Deferred income

	2015	2014
	£	£
Deferred income	<u>6,600,000</u>	<u>-</u>

Deferred income is in respect of the sale of the OFTO asset on 25th August 2015 to WODS Transmission PLC, agreements between the seller (Participants of the Joint Venture West of Duddon Sands) and the OFTO purchaser were signed committing the Participants to analyse and undertake necessary cable work for which payment was received as part of the OFTO sale consideration. Deferred revenue is recognised at the best estimated costs.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

20 Parent and ultimate parent undertaking

The immediate parent of the company is DONG Energy Power (UK) Limited , a company incorporated in England & Wales, which owns 100 % of the ordinary share capital.

The ultimate parent company is DONG Energy A/S, incorporated in Denmark. The Danish State currently holds 59% of the share capital of DONG Energy A/S (2014: 59%) and therefore the company considers the Danish Ministry of Finance the ultimate controlling party.

The smallest and largest group in which the results of the company are consolidated are those headed by DONG Energy A/S.

The consolidated financial statements of this company are available to the public from:

DONG Energy A/S
Kraftværksvej 53
Skærbæk
DK - 7000 Fredericia
Denmark

21 Related undertaking

The company's related undertakings as at 31 December 2015 are as follows:

Name	Place of incorporation	Place of operation	Nature of business	Type of holding	Ownership interest held by the Company
Morecambe Wind Limited	England & Wales	England & Wales	Production and transmission of electricity	Direct	50%

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

22 Transition to FRS 101

After applying the transition exemptions on transition from UKGAAP to FRS101, in note 2 Accounting Policies, the previously reported financial position and financial performance on transition date has been remeasured and reclassified.

The re-measurement relates to the capitalisation of qualifying interest expense incurred during the wind farm construction. The re-measurement is reflected in the finance expenses in the income statement and in property plant and equipment in the balance sheet.

Retained Earnings which has been re-classed by way of splitting out Retained Earning and Other Reserves as two individual items in equity. The amount disclose in Other Reserves relates to wake effect transaction. The wake effect transaction relates to compensation that the company's direct parent has to pay to another wind farm due to the wake effect caused by the construction of the company's own wind farm.

Other income of £4,353,500, related to an impairment loss reversal, was previously disclosed as exceptional income under the old UK GAAP, but on transition this amount was disclosed as other income. Before and after transition , this income item was included in operating profit, and this has not been reflected as a reclassification in the transition table below.

The deferred tax remeasurement is on account of the capitalised borrowing costs transition adjustment.

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

22 Transition to FRS 101 (continued)

Balance sheet at 1 January 2014

	Note	As originally reported £	Reclassification £	As restated £
Fixed assets				
Property, plant and equipment	10	435,639,322	-	435,639,322
Investments	11	<u>3</u>	<u>-</u>	<u>3</u>
		<u>435,639,325</u>	<u>-</u>	<u>435,639,325</u>
Current assets				
Trade and other receivables	12	39,721,804	-	39,721,804
Trade and other payables	18	<u>(150,241,852)</u>	<u>-</u>	<u>(150,241,852)</u>
Net current liabilities		<u>(110,520,048)</u>	<u>-</u>	<u>(110,520,048)</u>
Total assets less current liabilities		325,119,277	-	325,119,277
Loans and borrowings	15	(330,000,000)	-	(330,000,000)
Provisions for liabilities	17	<u>(6,475,000)</u>	<u>-</u>	<u>(6,475,000)</u>
Net liabilities		<u>(11,355,723)</u>	<u>-</u>	<u>(11,355,723)</u>
Capital and reserves				
Share capital	13	8,969,584	-	8,969,584
Other reserves		-	15,800,000	15,800,000
Retained Earnings		<u>(20,325,307)</u>	<u>(15,800,000)</u>	<u>(36,125,307)</u>
Shareholders' funds		<u>(11,355,723)</u>	<u>-</u>	<u>(11,355,723)</u>

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

22 Transition to FRS 101 (continued)

Balance sheet at 31 December 2014

	Note	As originally reported £	Reclassification £	Remeasurement £	As restated £
Fixed assets					
Property, plant and equipment	10	713,496,132	-	6,320,479	719,816,611
Investments	11	3	-	-	3
Deferred tax assets	7	-	4,055,701	(1,264,096)	2,791,605
		<u>713,496,135</u>	<u>4,055,701</u>	<u>5,056,383</u>	<u>722,608,219</u>
Current assets					
Trade and other receivables	12	68,838,631	(6,971,507)	-	61,867,124
Income tax receivable	7	-	2,915,806	-	2,915,806
Cash		<u>95,119</u>	<u>-</u>	<u>-</u>	<u>95,119</u>
		68,933,750	(4,055,701)	-	64,878,049
Trade and other payables	18	<u>(54,514,544)</u>	<u>-</u>	<u>-</u>	<u>(54,514,544)</u>
Net current assets		<u>14,419,206</u>	<u>(4,055,701)</u>	<u>-</u>	<u>10,363,505</u>
Total assets less current liabilities		727,915,341	-	5,056,383	732,971,724
Loans and borrowings	15	(510,000,000)	-	-	(510,000,000)
Provisions for liabilities	7, 17	<u>(37,975,813)</u>	<u>-</u>	<u>-</u>	<u>(37,975,813)</u>
Net assets		<u>179,939,528</u>	<u>-</u>	<u>5,056,383</u>	<u>184,995,911</u>
Capital and reserves					
Share capital	13	8,969,784	-	-	8,969,784
Share premium		199,999,800	-	-	199,999,800
Other reserves		-	15,800,000	-	15,800,000
Retained Earnings		<u>(29,030,056)</u>	<u>(15,800,000)</u>	<u>5,056,383</u>	<u>(39,773,673)</u>
Shareholders' funds		<u>179,939,528</u>	<u>-</u>	<u>5,056,383</u>	<u>184,995,911</u>

DONG Energy West of Duddon Sands (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

22 Transition to FRS 101 (continued)

Profit and loss account for the year ended 31 December 2014

	Note	As originally reported £	Remeasurement £	As restated £
Revenue	4	46,775,465	-	46,775,465
Cost of sales		<u>(28,962,194)</u>	<u>-</u>	<u>(28,962,194)</u>
Gross profit		17,813,271	-	17,813,271
Administrative expenses		(17,395,231)	-	(17,395,231)
Other operating income		<u>4,353,500</u>	<u>-</u>	<u>4,353,500</u>
Operating profit		<u>4,771,540</u>	<u>-</u>	<u>4,771,540</u>
Finance income	8	62,774	-	62,774
Finance expense	9	<u>(16,346,128)</u>	<u>6,320,479</u>	<u>(10,025,649)</u>
		<u>(16,283,354)</u>	<u>6,320,479</u>	<u>(9,962,875)</u>
Loss on ordinary activities before tax		(11,511,814)	6,320,479	(5,191,335)
Tax on loss on ordinary activities	7	<u>2,807,065</u>	<u>(1,264,096)</u>	<u>1,542,969</u>
Loss for the financial year		<u><u>(8,704,749)</u></u>	<u><u>5,056,383</u></u>	<u><u>(3,648,366)</u></u>