

Registration number: 06494525

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2017



Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

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Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Company Information

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

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Fair review of the business

During the year the company continued electricity generation from its offshore site. Commercial generation is expected to continue for the foreseeable future.

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.

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; and
- Optimising costs.

Key Performance Indicators and review of the year

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:

	2017	2016
	£	£
Revenue	121,993,331	94,259,174
Profit before tax	58,355,127	35,625,769
Company's net asset position	287,490,732	242,538,646

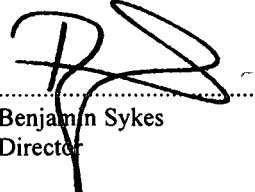
The company's key non-financial performance indicator is wind farm availability. The level of availability is achieved by the company monitoring the effectiveness and efficiency of the wind farm on a regular basis. For the current and prior year, the availability was broadly in-line with management's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

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.

Approved by the Board on 29/8/2018 and signed on its behalf by:


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Benjamin Sykes
Director

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the audited Financial Statement financial statements for the year ended 31 December 2017.

Directors of the company

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

Benjamin Sykes

Gavin Rooke (resigned 6 March 2017)

Robert Helms

Christopher Cunningham (appointed 6 March 2017 and resigned 13 November 2017)

Claus Blink (appointed 14 November 2017)

Principal activities

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

Dividends

During the year a dividend of £nil was paid (2016: £nil). The directors do not recommend a payment of a final dividend (2016: £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.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Directors' Report for the Year Ended 31 December 2017

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 long-term debt. The directors will continue to monitor the appropriateness of this arrangement.

Future developments

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

Events during the year

The company changed its name from DONG Energy West of Duddon Sands (UK) Limited to Orsted West of Duddon Sands (UK) Limited during the year.

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 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:

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Directors' Report for the Year Ended 31 December 2017

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

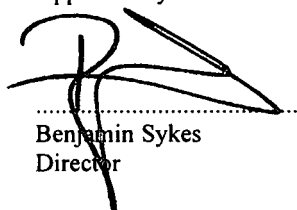
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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.

Reappointment of auditors

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

Approved by the Board on 29/8/2018 and signed on its behalf by:



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Benjamin Sykes
Director

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors responsibilities set out on page 4 and 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

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

Use of this report

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

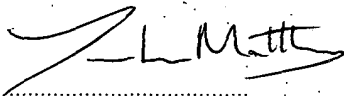
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Matthews (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor

Chartered Accountants and Statutory Auditors
1 Embankment Place
London
United Kingdom
WC2N 6RH

Date: 29/8/2018

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Revenue	4	121,993,331	94,259,174
Cost of sales		<u>(43,142,360)</u>	<u>(35,633,750)</u>
Gross profit		78,850,971	58,625,424
Administrative expenses		<u>(14,831,624)</u>	<u>(12,431,291)</u>
Operating profit		<u>64,019,347</u>	<u>46,194,133</u>
Finance income	7	61,329	3,104,434
Finance costs	8	<u>(5,725,549)</u>	<u>(13,672,798)</u>
Net finance cost		<u>(5,664,220)</u>	<u>(10,568,364)</u>
Profit before tax		58,355,127	35,625,769
Income tax (expense)/receipt	9	<u>(13,403,041)</u>	<u>185,970</u>
Profit and total comprehensive income for the year		<u><u>44,952,086</u></u>	<u><u>35,811,739</u></u>

The above results were derived from continuing operations.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

(Registration number: 06494525)

Statement of Financial Position as at 31 December 2017

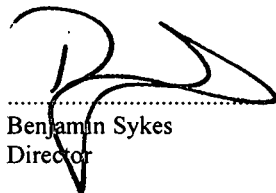
	Note	31 December 2017 £	31 December 2016 £
Assets			
Non-current assets			
Property, plant and equipment	10	485,341,773	510,550,989
Investments	11	3	3
Deferred tax assets	9	-	4,426,182
		<u>485,341,776</u>	<u>514,977,174</u>
Current assets			
Trade and other receivables	12	126,751,805	58,097,007
Cash and cash equivalents	13	2,408,896	6,794,880
		<u>129,160,701</u>	<u>64,891,887</u>
Total assets		<u>614,502,477</u>	<u>579,869,061</u>
Equity and liabilities			
Equity			
Share capital	14	(8,969,784)	(8,969,784)
Share premium reserve		(199,999,800)	(199,999,800)
Other reserves		(7,670,000)	(7,670,000)
Retained earnings		<u>(70,851,148)</u>	<u>(25,899,062)</u>
Total equity		<u>(287,490,732)</u>	<u>(242,538,646)</u>
Non-current liabilities			
Loans and borrowings	16	(280,000,000)	(300,000,000)
Provisions	17	(26,409,713)	(21,200,522)
Deferred tax liabilities	9	(8,165,930)	-
		<u>(314,575,643)</u>	<u>(321,200,522)</u>
Current liabilities			
Trade and other payables	18	(10,970,933)	(11,154,593)
Income tax liability	9	(810,929)	-
Other current financial liabilities		(654,240)	(2,442,323)
Deferred income	19	-	(2,532,977)
		<u>(12,436,102)</u>	<u>(16,129,893)</u>
Total liabilities		<u>(327,011,745)</u>	<u>(337,330,415)</u>
Total equity and liabilities		<u>614,502,477</u>	<u>579,869,061</u>

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

(Registration number: 06494525)

Statement of Financial Position as at 31 December 2017

Approved by the Board on 29/8/2018 and signed on its behalf by:


Benjamin Sykes
Director

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2017	8,969,784	199,999,800	7,670,000	25,899,062	242,538,646
Profit for the financial year	-	-	-	44,952,086	44,952,086
Total comprehensive income	-	-	-	44,952,086	44,952,086
At 31 December 2017	<u>8,969,784</u>	<u>199,999,800</u>	<u>7,670,000</u>	<u>70,851,148</u>	<u>287,490,732</u>

	Share capital £	Share premium £	Other reserves £	(Accumulated losses)/retained earnings £	Total equity £
At 1 January 2016	8,969,784	199,999,800	10,200,000	(9,912,677)	209,256,907
Profit for the financial year	-	-	-	35,811,739	35,811,739
Total comprehensive income	-	-	-	35,811,739	35,811,739
Other capital redemption reserve movements	-	-	(2,530,000)	-	(2,530,000)
At 31 December 2016	<u>8,969,784</u>	<u>199,999,800</u>	<u>7,670,000</u>	<u>25,899,062</u>	<u>242,538,646</u>

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

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

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

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

The company is a subsidiary of Orsted Power (UK) Limited (Formerly DONG Energy Power (UK) Limited) and it is included in the consolidated financial statements of Ørsted A/S (Formerly 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.

Foreign currency transactions and balances

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when expenses are denominated in foreign currencies). The net exposure of each currency is monitored and managed by the central treasury function through a mandate from the Board of directors.

However the company deems the risk of foreign exchange transaction risk as insignificant and no other active management of this risk is undertaken. The historical trend of the currencies that the company transacts in has been assessed as stable. However; in prior years, during the construction phase the project company hedged foreign currency exposure arising from construction expenditure.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Summary of disclosure exemptions

The company has applied FRS 101 Reduced Disclosure Framework, as it meets the requirements of FRS 101.

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

- No disclosure requirements for Financial Instruments (IFRS 7).
- No disclosure requirements for Fair value measurement (IFRS 13 paragraph 91 to 99).
- No requirement to present an opening statement of financial position for qualifying entities adopting FRS 101 for the first time (IAS 1); general exemption applied by the company.
- No disclosures have to be made in respect of standards in issue not yet effective (IAS 1); general exemption applied by the company.
- There is no requirement to present capital management disclosures (IAS 1); company is not a financial institution thus has applied the exemption.
- No requirement to prepare a cash flow statement (IAS 7); exemption applied; the company has no minority shareholders.
- No need to present 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 is required of related party transactions with and between wholly owned subsidiaries (IAS 24); company has no minority shareholders.
- No disclosure required of key management personnel compensation, although the directors' remuneration disclosures required by law must be given (IAS 24 paragraph 17). The company has applied this deduced disclosure exemption as the company has no employees (see note 6 staff costs for details).

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.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2017 have had a material effect on the financial statements.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

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. Revenue generated from O&M services regarding the OFTO asset is recognised at market price when delivery has taken place.

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.

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.

Property, plant and equipment

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

The cost of self constructed assets comprises direct and indirect costs of materials, components, sub suppliers 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.

Ørsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Depreciation

In the case of property, plant and equipment, cost is 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 assets	Straight line method over 20 years

Investments

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

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Trade receivables

Trade receivables are amounts due from customers for electricity sales. 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.

Receivables' group undertakings relating to cash pooling

The company is a participant in the group cash pooling arrangement of which Ørsted A/S (Formerly 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, Ørsted A/S (Formerly DONG Energy A/S).

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.

Cash and cash equivalents

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

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Leases

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

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements requires management to make judgements, 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 judgements, 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 2017, a discount rate of 3.5% is applied. A discount rate of 4.5% was applied by the company at 31 December 2016. The applied discount rate of 3.5% is expected to be applied over a prolonged period. The rate has been reduced from 4.5% to 3.5% due to the continued low interest rate environment. 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.

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.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

4 Revenue

The analysis of the company's turnover for the year from continuing operations is as follows:

	2017	2016
	£	£
Sale of electricity and renewables certificate	118,898,356	89,649,693
OFTO revenue	<u>3,094,975</u>	<u>4,609,481</u>
	<u><u>121,993,331</u></u>	<u><u>94,259,174</u></u>

The analysis of the company's turnover for the year by market is as follows:

	2017	2016
	£	£
UK	<u><u>121,993,331</u></u>	<u><u>94,259,174</u></u>

In 2015 the company's self constructed OFTO asset was sold to a third party company. OFTO revenue in 2017 of £2,532,977 relates directly to the OFTO sale (2016: £3,889,607). OFTO revenue in 2017 of £561,998 relates to OFTO O&M services (2016: £719,874).

5 Auditors' remuneration

	2017	2016
	£	£
Audit of the financial statements	<u><u>13,147</u></u>	<u><u>13,147</u></u>

6 Staff costs

There were no (2016: nil) employees during the year. The directors received no (2016: £nil) emoluments during the year, in respect of their services to the company.

The directors were remunerated by other companies within the Ørsted A/S group (Formerly 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.

7 Finance income

	2017	2016
	£	£
Bank interest income	8,123	11,052
Foreign exchange gain	<u>53,206</u>	<u>3,093,382</u>
	<u><u>61,329</u></u>	<u><u>3,104,434</u></u>

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

8 Finance costs

	2017	2016
	£	£
Interest on bank overdrafts and borrowings	1,939	33
Interest expense on group undertakings	4,756,350	9,704,442
Foreign exchange losses	30,448	3,123,972
Unwinding of discount on decommissioning provision	936,812	844,351
	<u>5,725,549</u>	<u>13,672,798</u>

9 Income tax

Tax charged/(credited) in the profit and loss account

	2017	2016
	£	£
Current taxation		
UK corporation tax	810,929	-
UK corporation tax adjustment to prior years	-	3,195,589
	<u>810,929</u>	<u>3,195,589</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	9,438,835	6,096,589
Arising from changes in tax rates and laws	-	618,987
Adjustment in respect of prior years	3,153,277	(10,097,135)
Total deferred taxation	<u>12,592,112</u>	<u>(3,381,559)</u>
Tax expense/(receipt) in the profit and loss account	<u>13,403,041</u>	<u>(185,970)</u>

The tax expense for the year is higher than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017	2016
	£	£
Profit before tax	<u>58,355,127</u>	<u>35,625,769</u>
Corporation tax at standard rate	11,233,362	7,125,154
Expenses not deductible for tax purposes	265,660	47,304
Adjustments to tax charge in respect of prior years	3,153,277	(6,901,546)
Remeasurement of deferred tax - change in UK tax rate	<u>(1,249,258)</u>	<u>(456,882)</u>
Total tax charge/(credit)	<u>13,403,041</u>	<u>(185,970)</u>

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

9 Income tax (continued)

Factors that might affect future tax charges:

With effect from 1 April 2017, the main rate of UK corporation tax changed from 20% to 19%. The main rate will further reduce to 17% from 1 April 2020. These changes have been enacted at the reporting date and the deferred tax balance at 31 December 2017 has been recognised at 17%.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2017 £	Recognised in income £	At 31 December 2017 £
Accelerated tax depreciation	(2,021,326)	(7,423,680)	(9,445,006)
Other items	950,912	328,163	1,279,075
Tax losses carry-forwards	5,496,596	(5,496,595)	1
Net tax assets/(liabilities)	<u>4,426,182</u>	<u>(12,592,112)</u>	<u>(8,165,930)</u>

Deferred tax movement during the prior year:

	At 1 January 2016 £	Recognised in income £	At 31 December 2016 £
Accelerated tax depreciation	(24,552,309)	22,530,983	(2,021,326)
Other items	701,281	249,631	950,912
Tax losses carry-forwards	24,895,651	(19,399,055)	5,496,596
Net tax assets/(liabilities)	<u>1,044,623</u>	<u>3,381,559</u>	<u>4,426,182</u>

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

10 Property, plant and equipment

	Decommissioning Asset £	Windfarm £	Total £
Cost			
At 1 January 2016	14,936,245	582,629,063	597,565,308
Additions	3,456,035	9,373,729	12,829,764
Disposals	-	(15,742,438)	(15,742,438)
At 31 December 2016	<u>18,392,280</u>	<u>576,260,354</u>	<u>594,652,634</u>
At 1 January 2017	18,392,280	576,260,354	594,652,634
Additions	4,272,380	1,646,001	5,918,381
Disposals	-	(2,532,977)	(2,532,977)
At 31 December 2017	<u>22,664,660</u>	<u>575,373,378</u>	<u>598,038,038</u>
Depreciation			
At 1 January 2016	1,932,113	53,177,668	55,109,781
Charge for year	<u>853,242</u>	<u>28,138,622</u>	<u>28,991,864</u>
At 31 December 2016	<u>2,785,355</u>	<u>81,316,290</u>	<u>84,101,645</u>
At 1 January 2017	2,785,355	81,316,290	84,101,645
Charge for the year	<u>993,554</u>	<u>27,601,066</u>	<u>28,594,620</u>
At 31 December 2017	<u>3,778,909</u>	<u>108,917,356</u>	<u>112,696,265</u>
Carrying amount			
At 31 December 2017	<u>18,885,751</u>	<u>466,456,022</u>	<u>485,341,773</u>
At 31 December 2016	<u>15,606,925</u>	<u>494,944,064</u>	<u>510,550,989</u>
At 1 January 2016	<u>13,004,132</u>	<u>529,451,395</u>	<u>542,455,527</u>

The depreciation charge for the year of £28,594,620 (2016: £28,991,864) is included in cost of sales.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

11 Investments

	2017 £	2016 £
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 1 January 2016	<u>3</u>
At 31 December 2016	<u>3</u>
At 1 January 2017	<u>3</u>
At 31 December 2017	<u>3</u>
Carrying amount	
At 31 December 2017	<u>3</u>
At 31 December 2016	<u>3</u>

Details of the subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2017	2016
Morecambe Wind Limited	Production and transmission of electricity	England and Wales	50%	50%

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

12 Trade and other receivables

	31 December 2017	31 December 2016
	£	£
Trade receivables	328,221	780,025
Amounts owed by group undertakings	121,611,392	51,590,353
Prepayments	332,744	2,706,368
Other receivables	<u>4,479,448</u>	<u>3,020,261</u>
	<u><u>126,751,805</u></u>	<u><u>58,097,007</u></u>

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

13 Cash and cash equivalents

	31 December 2017	31 December 2016
	£	£
Cash at bank	<u><u>2,408,896</u></u>	<u><u>6,794,880</u></u>

14 Share capital

Allotted, called up and fully paid shares

	31 December 2017		31 December 2016	
	No.	£	No.	£
Ordinary share capital of £1 each	<u><u>8,969,784</u></u>	<u><u>8,969,784</u></u>	<u><u>8,969,784</u></u>	<u><u>8,969,784</u></u>

15 Other reserves

Other reserves relates to a capital contribution from the company's immediate parent undertaking in the form of settlement of a liability of the company in relation to wake effect. Wake effect relates to compensation the company has to pay another wind farm due to the wake effect caused by the construction of the company's own wind farm.

The reduction in reserves in 2016 is due to a reduction in the amount of compensation in the final settlement.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

16 Loans and borrowings

	31 December 2017 £	31 December 2016 £
Non-current loans and borrowings		
Other borrowings	<u>280,000,000</u>	<u>300,000,000</u>

Included in loans and borrowings is an unsecured loan of £280,000,000 (2016: £300,000,000) which carries interest at LIBOR plus 1.55% (2016: LIBOR plus 1.55%) and is wholly repayable on 16 December 2020.

17 Other provisions

	Onerous contracts £	Decommissioning £	Total £
At 1 January 2017	-	21,200,522	21,200,522
Charged to the income statement	-	936,812	936,812
Change in estimate	-	4,272,379	4,272,379
Provision used	-	-	-
At 31 December 2017	<u>-</u>	<u>26,409,713</u>	<u>26,409,713</u>

	Onerous contracts £	Decommissioning £	Total £
At 1 January 2016	11,749,993	16,900,136	28,650,129
Charged to the income statement	-	844,351	844,351
Change in estimates	-	3,456,035	3,456,035
Provision used	(9,145,415)	-	(9,145,415)
Unused provision released	(2,604,578)	-	(2,604,578)
At 31 December 2016	<u>-</u>	<u>21,200,522</u>	<u>21,200,522</u>

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 3.50% (2016 : 4.50%). Included within fixed assets is an amount of £18,885,751 (2016: £15,606,925) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2017 and future years. The decommissioning asset is being depreciated over the expected life of the wind farm.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

17 Other provisions (continued)

The onerous contracts provision represents the onerous lease obligation in respect of an agreement with Orsted Power (UK) Limited. The obligation was transferred to another company within the group in 2016 therefore the provision that was not used at the date of transfer was released.

18 Trade and other payables

	31 December 2017	31 December 2016
	£	£
Trade payables	14,702	1,316
Accrued expenses	6,410,341	4,106,861
Amounts due to group undertakings	1,894,570	4,737,038
Social security and other taxes	-	113,702
Other payables	<u>2,651,320</u>	<u>2,195,676</u>
	<u><u>10,970,933</u></u>	<u><u>11,154,593</u></u>

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

19 Deferred income

	31 December 2017	31 December 2016
	£	£
Deferred income	<u>-</u>	<u>2,532,977</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.

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

20 Obligations under leases and hire purchase contracts

Operating leases

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

	31 December 2017 £	31 December 2016 £
Within one year	814,000	1,074,500
In two to five years	3,256,000	3,190,000
In over five years	<u>9,768,000</u>	<u>10,367,500</u>
	<u><u>13,838,000</u></u>	<u><u>14,632,000</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,953,000 (2016 - £2,037,000). Non-cancellable operating leases relate to the leasing of the land which the company operates from and other leases for equipment which the company uses to operate the plant.

21 Parent and ultimate parent undertaking

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

The ultimate parent company is Ørsted A/S (Formerly DONG Energy A/S), incorporated in Denmark. The Danish State currently holds 50% of the share capital of Ørsted A/S (Formerly DONG Energy A/S) (2016: 50%) 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 Ørsted A/S (Formerly DONG Energy A/S).

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

Ørsted A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia
Denmark

Orsted West of Duddon Sands (UK) Limited (Formerly DONG Energy West of Duddon Sands (UK) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2017

22 Related undertaking

The company's related undertakings as at 31 December 2017 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%