Registration number: 06494525

Orsted West of Duddon Sands (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Orsted West of Duddon Sands (UK) Limited

Contents

Orsted West of Duddon Sands (UK) Limited

Company Information

Directors	Philip Henry de Villiers David Murray Hugh Alistair Yendole
Registered office	5 Howick Place London England SW1P 1WG United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London England WC2N 6RH

Strategic Report for the Year Ended 31 December 2020

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

Fair review of the business
The principal activity of the company is the generation of electricity in the UK through the use of offshore wind technology from its site located approximately 14 km from the nearest coast on Walney Island, Cumbria. The site comprises of 108 wind turbines, giving total installed capacity of 389MW. 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.

Statement of Business Relationships
Details of our engagement with our key stakeholders including suppliers and customers, is set out in the Section 172 statement in the Strategic report.

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:

	2020 £	2019 £
Revenue	112,157,314	112,090,623
Profit before taxation	52,606,226	48,803,038
Company's net asset position	221,989,647	285,653,647

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

Section 172(1) statement
The company long-term plan is to generate Contract for Difference revenue for the life of the wind farm. The directors review this long-term plan, to date no decision have been made to change the long-term plan.

The company does not have any employees. The directors use service providers for all operational activities. The directors ensure that any service provider act in due care towards its employees while working for the company including complying with the company's safety requirements.

The company fosters relationships through the selection of a reliable operations service provider which ensures its customers are supplied with uninterrupted supply of clean electricity during windy days. The company produces green energy thus having a low carbon impact on the environment.

The company has employed a service provider that is committed to operate with a low carbon footprint and employs local community members to perform these tasks.

When making decisions the board considers how this will impact all shareholders and ensures no preference is given to any shareholder.

The company has partnered up with a reputable service providers.

The directors ensure they are complying with the above by reviewing service providers operations reports, wind farm production numbers and safety site reports.

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 17 September 2021 and signed on its behalf by:

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Philip Henry de Villiers
Director

Orsted West of Duddon Sands (UK) Limited

Directors' Report for the Year Ended 31 December 2020

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

Incorporation
The company was incorporated in England and Wales on 5 February 2008 as a private company limited by share capital under the Companies Act 2006.

The address of it's registered office in 5 Howick Place, London, England, SW1P 1WG.

As at 31 December 2020, the company was owned by Orsted Power (UK) Limited (100%).

As at 31 December 2019, the company was owned by Orsted Power (UK) Limited (100%).

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

Philip Henry de Villiers

David Murray

Hugh Alistair Yendole

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

Result for the year
The Company's net result for the current financial year was a profit of £42,492,000 (2019: £42,568,352) moved to retained earnings.

Dividend
During the year a dividend of £106,156,000 was paid (2019: £-). The directors do not recommend a payment of a final dividend (2019: £-).

Brexit
Brexit is not in itself part of the company's risks, as the withdrawal from EU, effective from 1 January 2021, will not, in the management's opinion, result in fundamental changes in the UK's energy policy. Announcements by the UK Government show that the UK is committed to a clean, green energy future, and offshore wind can be the backbone of this green vision. UK current target is to bring all greenhouse gas emissions to net zero by 2050.

The directors have considered this at the date of signing these financial statements and do not deem this impacts the fair value of assets and liabilities reported at the balance sheet date of 31 December 2020.

Streamlined Energy and Carbon Reporting
The energy consumed in the daily operations of the company is mainly produced by the wind farm itself resulting in no significant emissions. Any additional electricity or gas consumption purchased from other sources are not significant and below 40,000 kWh annually.

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

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.

Financial instruments

The company is exposed through its operations to the following financial risks:

Market risk
Credit risk and
Liquidity risk

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the company's continuing profitability.

The company's senior management over the management of these risks. Management reviews and agrees policies for managing each of these risks, which are summarised below.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

During the year the company did not use derivative financial instruments to hedge risk exposures.

1. Market risk
Market risk includes foreign exchange risk.

Foreign currency risk
The company has only limited assets or liabilities in foreign currency. Also, the company has limited sales or purchase transactions in foreign currencies. As a result of this, the company's exposure to foreign exchange rate risks is very limited.

2. Credit risk
Credit risk arises primarily from credit exposures to customers, from cash and cash equivalents with banks and financial institutions and receivables from parent and other group companies. Most of the business is based on prepayments which makes the risk of losses on receivables low. Customers' credit ratings are used to determine credit limits and management monitors the utilization of credit risks on an ongoing basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

3. Liquidity risk
The company generates sufficient positive cash flows to service its liabilities and planned development. Surplus cash is declared as dividend. Capital management is carried out to ensure low risk. Management monitors funding and liquidity and ensures the availability of required liquidity through cash management and committed facilities. The company's liquidity risk is primarily related to inter-company debt. It is the company's policy to ensure adequate liquidity to satisfy their obligations to the group companies.

Capital components
The company defines its capital as equity, as presented in the statement of changes in equity. In order to maintain or adjust the capital structure, the company may return capital to the shareholder or issue new shares.

Capital management
The company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2020, the Company's strategy was to maintain a gearing ratio in line with prior years.

The management monitor and review the broad structure of the company's capital on an on-going basis.

Value of the equity managed as at 31 December 2020 was equal to £221,905,173 (as at 31 December 2019 £285,653,647).

Political donations
There were no political donations made or political expenditures incurred by the company during the year (2019: £-).

COVID-19

On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak of COVID-19 a "Public Health Emergency of International Concern". The consequence of COVID-19, where many governments have decided to "close down countries" will have an impact on certain sectors of the world economy. Company operates in the essential sector.

In general, COVID-19 impacted the UK power market due to a lower demand for electricity which led to hours with negative prices from April to July, lower ROC recycle prices and higher balancing tariffs (BSUoS) from National Grid in 2020. This situation had a limited impact on company's financial performance during the year.

Since the outbreak of COVID-19 management continues to meet regularly, focusing on the health and safety of service providers' employees and on ensuring business continuity. Company's asset base has been fully operational and maintained normal availability rates. Management expects this to continue going forward.

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.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

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.

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of independent auditors

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

Approved by the Board on 17 September 2021 and signed on its behalf by:

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Philip Henry de Villiers
Director

Independent auditors' report to the members of Orsted 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's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and 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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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 the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulation of the renewable energy industry in the UK, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals entries, and management bias in accounting estimates.. Audit procedures performed by the engagement team included:

- gaining an understanding of the legal and regulatory framework applicable to the company and the renewable energy industry in the UK, and considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud;
- enquiry of management and those charged with governance around actual and potential litigation and claims and any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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
Chartered Accountants and Statutory Auditors
London
17 September 2021

Orsted West of Duddon Sands (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Revenue	4	112,157,314	112,090,623
Cost of sales		(44,148,217)	(42,641,557)
Gross profit		68,009,097	69,449,066
Administrative expenses	5, 6	(10,544,681)	(14,559,646)
Other operating expense		(444,602)	-
Operating profit	7	57,019,814	54,889,420
Finance income	8	432,393	727,695
Finance expenses	9	(4,845,981)	(6,814,077)
Net finance costs		(4,413,588)	(6,086,382)
Profit before taxation		52,606,226	48,803,038
Income tax expense	10	(10,114,226)	(6,234,686)
Profit for the financial year		42,492,000	42,568,352
Total comprehensive income for the year		42,492,000	42,568,352

The above results were derived from continuing operations.

Orsted West of Duddon Sands (UK) Limited

(Registration number: 06494525)
Statement of Financial Position as at 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Assets			
Non-current assets			
Property, plant and equipment	11	414,064,469	436,997,716
Investments		3	3
		414,064,472	436,997,719
Current assets			
Trade and other receivables	12	112,214,855	161,666,872
Cash and cash equivalents	13	2,944,567	3,170,106
		115,159,422	164,836,978
Total assets		529,223,894	601,834,697
Equity and liabilities			
Equity			
Called up share capital	14	1	1
Other reserves		7,670,000	7,670,000
Retained earnings		214,319,646	277,983,646
		221,989,647	285,653,647
Non-current liabilities			
Long term lease liabilities	17	7,664,584	9,552,290
Loans and borrowings	16	220,000,000	240,000,000
Provisions	18	28,999,210	28,079,200
Deferred tax liabilities	10	25,769,790	20,088,749
		282,433,584	297,720,239
Current liabilities			
Current portion of long term lease liabilities	17	792,261	792,064
Trade and other payables	19	13,008,904	10,448,194
Income tax liability	10	10,999,498	6,566,313
Provisions	18	-	654,240
		24,800,663	18,460,811
Total liabilities		307,234,247	316,181,050
Total equity and liabilities		529,223,894	601,834,697

Orsted West of Duddon Sands (UK) Limited

(Registration number: 06494525)
Statement of Financial Position as at 31 December 2020 (continued)

The financial statements on pages 13 to 41 were approved by the Board on 17 September 2021 and signed on its behalf by:

....
Philip Henry de Villiers
Director

Orsted West of Duddon Sands (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2020	1	7,670,000	277,983,646	285,653,647
Profit for the financial year	-	-	42,492,000	42,492,000
Total comprehensive income	-	-	42,492,000	42,492,000
Dividends	-	-	(106,156,000)	(106,156,000)
At 31 December 2020	1	7,670,000	214,319,646	221,989,647

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2019	1	7,670,000	235,415,294	243,085,295
Profit for the financial year	-	-	42,568,352	42,568,352
Total comprehensive income	-	-	42,568,352	42,568,352
At 31 December 2019	1	7,670,000	277,983,646	285,653,647

1 General information

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

The address of its registered office is:
5 Howick Place
London
England
SW1P 1WG
United Kingdom

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 ("FRS 101").

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The company's financial statements are presented in pound sterling, which is both the functional and presentation currency.

The preparation of the financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in process of applying the company's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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.

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).

- Reduced disclosure requirements for Revenue (IFRS 15).

- Reduced disclosure requirements for Leases (IFRS 16).

- No disclosures have to be made in respect of standards in issue not yet effective (IAS 8 paragraph 30 and 31); 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.

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective
The management regularly assess the impact of new and amended IFRS standards and interpretations. New and amended IFRS standards and interpretations are implemented from their mandatory effective dates at the latest.

Effective from 1 January 2020, we have implemented the following new or amended standards (IAS and IFRS) and interpretations:

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

The adoption of the new and amended standards have not had a material impact on the entity in the current and prior reporting periods and are not expected to have a material impact in future reporting periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Accounting policies (continued)

Revenue recognition

Recognition

The company earns revenue from the sale of electricity. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Performance obligations

The main performance obligations to customers consist of supply of electricity to the power offtaker through the OFTO (OffshoreTransmission Owners) asset and national grid asset network. Due to the nature of power supply the business judgements made in evaluating when control has passed are limited.

Sale of electricity is based on produced mega watt (MW), which is recognised at the production date. These are invoiced on a monthly basis and payment terms are 30 days. No warranties are offered on sale of these MW.

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the sale of products:

Transaction price

The transaction price of fixed electricity tariffs is determined by the fee specified in the contract for electricity at production date.
The transaction price for green certificates is recognised at guaranteed minimum price at production date.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, Contract assets are recognised. Contract assets are included in the statement of financial position and represent the right to consideration for products delivered.

Contract receivables (loans and advances) are recognised in the statement of financial position when the company's right to consideration becomes unconditional. Offtaker (customer) of power takes all of the power produced by the company on a monthly basis and pays a fixed tariff for power received.

Contract assets & receivables (loans and advances) are classified as current or non- current based on the company's normal operating cycle and are assessed for impairment at each reporting date.

2 Accounting policies (continued)

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

Impairment of contract related balances

At each reporting date, the company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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.

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
Right of use asset	Straight line method over 16 years

Government grants
Government grants comprise grants under the Renewable Obligation Certificate scheme. (ROCs).

Government grants are recognised when there is a reasonable assurance that the grants will be received.

As grants for power generation are intended as a compensation for the price of power, we systematically recognise the grants under revenue in step with the power generation and thus the related revenue. The ROC's are recognised as inventory before being sold to the customer.

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.

Finance income and costs policy
Finance income comprises interest income on receivables' group undertakings relating to cash pooling. Interest income is recognised using the effective interest rate method.

Finance costs comprise interest expenses on payables' group undertakings relating to cash pooling and the group charges on guarantees granted. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

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).

2 Accounting policies (continued)

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.

Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2 Accounting policies (continued)

Financial assets and liabilities
Financial instruments are used for various purposes. The purpose determines the category, and whether the value adjustment of the instrument should be recognised in the profit/(loss) for the year or as part of the hedging reserve in equity.

Financial assets
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the compnay measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through statement of comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of comprehensive income are expensed in profit or loss.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of loans.

Impairment
The company has three types of financial assets that are subject to the expected credit loss model:
Trade receivables;
contract assets and;
debt investments carried at amortised cost;

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9; the identified impairment loss was immaterial.

Trade receivables and contract assets
The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.
To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rate is based on an assessment of the historical rates for default. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial liabilities
The company classifies its financial liabilities in the following categories:

2 Accounting policies (continued)

Financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), and
other financial liabilities at amortized cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities at amortized cost include trade and other payables, loans and borrowings including bank overdrafts.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of long-term loans. Short term interest bearing borrowings of a short term nature that carry interest at floating rates are not amortised at the effective interest rate as their carrying value approximates their fair value on initial recognition.

After initial recognition, long term interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss.

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.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.
The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual
value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.
The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.
The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.
The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.
If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.
For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.
For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

2 Accounting policies (continued)

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).
The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.
Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment at balance sheet date and 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.

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.

2 Accounting policies (continued)

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the year in which the dividends are approved by the company's shareholders.

Interim dividends are recognised when paid.

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.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Decomissioning 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 2020, a discount rate of 3.5% is applied (2019: 3.5%). The applied discount rate of 3.5% is 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.

4 Revenue

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

	2020 £	2019 £
Sale of electricity	111,366,217	111,453,725
OFTO revenue	675,426	636,898
Other revenue	115,671	-
	112,157,314	112,090,623

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

The company has a fixed price power purchase agreement with it's shareholders and it sells all its power generation and associated benefits under this agreement.

Timing of revenue recognition from customers :

	2020 £	2019 £
Over time	111,366,217	111,453,725
	111,366,217	111,453,725

The timing of transfer of goods or services to customers is categorised as follows:

- 'Over time' mainly comprises of long-term contracts with customers to deliver of electricity power.

OFTO revenue relates to OFTO Operation and Maintenance (O&M) services 2020: £675,426 (2019: £587,303).

4 Revenue (continued)

Included in sale of goods is revenue from subsidies received under the Renewable Obligation schemes, known as green certificates or Renewable Obligation Certificates (ROCs).

5 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	13,500	14,294

There has been no non-audit remuneration in the year and prior year.

6 Employees and directors

There were no (2019: nil) employees during the year. The directors received no (2019: £-) emoluments during the year, in respect of their services to the company.

The directors appointed by Orsted group were remunerated by other companies within the Orsted 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 Operating profit

Arrived at after charging

	2020 £	2019 £
Depreciation expense	30,053,271	30,227,604
Auditors remuneration	13,500	14,294

8 Finance income

	2020 £	2019 £
Interest income on bank deposits	28,406	24,431
Interest on loans to group undertakings	286,257	625,540
Foreign exchange gains	117,730	77,724
	432,393	727,695

9 Finance expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	16,619	184
Interest expense on group undertakings	3,520,679	5,372,953
Unwinding of discount on decommissioning provision	982,413	952,119
Foreign exchange losses	67,458	121,591
Interest expense on leases	258,812	367,230
	4,845,981	6,814,077

10 Income tax expense

Tax charged in the statement of comprehensive income

	2020 £	2019 £
Current taxation		
UK corporation tax	6,946,844	4,365,345
UK corporation tax adjustment to prior years	(2,513,659)	(2,460,308)
	4,433,185	1,905,037
Deferred taxation		
Arising from origination and reversal of temporary differences	3,317,659	4,631,578
Arising from changes in tax rates and laws	2,363,382	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	(301,929)
Total deferred taxation	5,681,041	4,329,649
Tax expense in the statement of comprehensive income	10,114,226	6,234,686

10 Income tax expense (continued)

The tax expense for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	52,606,226	48,803,038
Corporation tax at standard rate	9,995,183	9,272,577
Expenses not deductible for tax purposes	269,320	269,238
Adjustments to tax charge in respect of prior years	(2,513,659)	(2,762,237)
Remeasurement of deferred tax - change in UK tax rate	2,363,382	(544,892)
Total tax charge	10,114,226	6,234,686

Factors that might affect future tax charges:

The main rate of UK corporation tax in the year was 19%. During the year, legislation was enacted to maintain the corporation tax rate at 19% instead of reducing to 17%. On 10 March 2021, the UK government announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023. As the legislation was not substantively enacted at the balance sheet date, deferred tax balances continue to be recognised at 19%.

10 Income tax expense (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2020 £	Recognised in income £	At 31 December 2020 £
Accelerated tax depreciation	(22,090,744)	(6,327,069)	(28,417,813)
Provisions	2,001,995	646,028	2,648,023
Net tax liabilities	(20,088,749)	(5,681,041)	(25,769,790)

Deferred tax movement during the prior year:

	At 1 January 2019 £	Recognised in income £	At 31 December 2019 £
Accelerated tax depreciation	(17,397,865)	(4,692,879)	(22,090,744)
Provisions	1,638,765	363,230	2,001,995
Net tax liabilities	(15,759,100)	(4,329,649)	(20,088,749)

11 Property, plant and equipment

	Right of use asset £	Decommissioning asset £	Wind farm £	Total £
Cost or valuation				
At 1 January 2019	10,769,189	22,549,669	573,895,643	607,214,501
Decrease in decommissioning estimate	-	(91,320)	-	(91,320)
Additions	-	-	2,404,104	2,404,104
At 31 December 2019	10,769,189	22,458,349	576,299,747	609,527,285
At 1 January 2020	10,769,189	22,458,349	576,299,747	609,527,285
Decrease in decommissioning estimate	-	(62,403)	-	(62,403)
Additions	-	-	8,536,485	8,536,485
Other	(1,354,057)	-	-	(1,354,057)
At 31 December 2020	9,415,132	22,395,946	584,836,232	616,647,310
Accumulated depreciation				
At 1 January 2019	-	4,971,051	137,330,914	142,301,965
Charge for year	702,338	1,184,529	28,340,737	30,227,604
At 31 December 2019	702,338	6,155,580	165,671,651	172,529,569
At 1 January 2020	702,338	6,155,580	165,671,651	172,529,569
Charge for the year	680,262	1,178,110	28,349,439	30,207,811
Other	(154,539)	-	-	(154,539)
At 31 December 2020	1,228,061	7,333,690	194,021,090	202,582,841
Carrying amount				
At 31 December 2020	8,187,071	15,062,256	390,815,142	414,064,469
At 31 December 2019	10,066,851	16,302,769	410,628,096	436,997,716

Right of use asset comprise seabed lease and production assets lease.

The depreciation charge for the year of £30,207,811 (2019: £30,227,604) and other £(154,539) (2019: -) is included in cost of sales.

12 Trade and other receivables

	31 December 2020 £	31 December 2019 £
Trade receivables	2,211,620	2,139,310
Amounts owed by group undertakings	102,755,707	152,816,901
Prepayments	2,222,647	2,172,186
Other receivables	5,024,881	4,538,475
	112,214,855	161,666,872

Trade and other receivables are unsecured,interest free and have no fixed date of repayment and are repayable on demand.

Amounts owed by group undertakings are unsecured, interest free (except for the group cash pooling) and have no fixed date of repayment and are repayable on demand.

13 Cash and cash equivalents

	31 December 2020 £	31 December 2019 £
Cash at bank	2,944,567	3,170,106

14 Called up share capital

Allotted, called up and fully paid shares

	31 December 2020 No.	£	31 December 2019 No.	£
Ordinary share capital of £1 each	1	1	1	1

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.

16 Loans and borrowings

	31 December 2020 £	31 December 2019 £
Non-current loans and borrowings		
Other borrowings	220,000,000	240,000,000

Included in loans and borrowings is an unsecured loan of £220,000,000 (2019: £240,000,000) which carries interest at LIBOR plus 1.00% + "LIBOR Floor", which is LIBOR capped at 0.00% (2019: LIBOR plus 1.55%). £ 20,000,000 was repaid during the period. This load is wholly repayable on 10 January 2025.

17 Leases

Leases included in creditors

	31 December 2020 £	31 December 2019 £
Current portion of long term lease liabilities	792,261	792,064
Long term lease liabilities	7,664,584	9,552,290

Seabed leases include variable lease payments which depend on the number of megawatt hours generated. However, we have typically agreed on minimum lease payments for the seabeds and these minimum payments are included in the lease liabilities.

Right of use assets

	Production assets £	Seabed lease £	Right of use asset £
Carrying amount at 1 January 2020	451,217	9,615,634	10,066,851
Change in estimate cost	(60,692)	(1,293,365)	(1,354,057)
Depreciation	(30,491)	(649,771)	(680,262)
Change in estimate depreciation	6,927	147,612	154,539
Carrying amount at 31 December 2020	366,961	7,820,110	8,187,071

17 Leases (continued)

	Production assets £	Seabed lease £	Right of use asset £
Carrying amount at 1 January 2019	482,697	10,286,492	10,769,189
Depreciation	(31,480)	(670,858)	(702,338)
Carrying amount at 31 December 2019	451,217	9,615,634	10,066,851

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2020 £	31 December 2019 £
Less than one year	792,261	808,000
In one to five years	3,169,045	3,398,000
In over five years	6,734,221	9,236,000
Total lease liabilities (undiscounted)	10,695,527	13,442,000

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	2020 £	2019 £
Right of use assets	1,251,802	1,145,462
Interest	304,988	321,056
Total cash outflow	1,556,790	1,466,518

Finance charge on leases going through Statement of Comprehensive Income is disclosed in note 9 'Finance expenses'.

Depreciation charge on right of use asset is disclosed in note 11 'Property, plant and equipment'.

Variable amount of the lease payments exceeding the minimum lease payments amounts to £459,540 (2019: £353,201).

18 Provisions

	Decommissioning	Total
	£	£
Non-current liabilities		
At 1 January 2020	28,079,200	28,079,200
Charged to the income statement	920,010	920,010
At 31 December 2020	28,999,210	28,999,210

	Decommissioning	Total
	£	£
At 1 January 2019	27,218,401	27,218,401
Charged to the income statement	860,799	860,799
At 31 December 2019	28,079,200	28,079,200

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% (2019 : 3.50%). Included within fixed assets is an amount of £15,062,256 (2019: £16,302,769) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2020 and future years. The decommissioning asset is being depreciated over the expected life of the wind farm.

19 Trade and other payables

	31 December 2020 £	31 December 2019 £
Trade payables	74,997	41,107
Accrued expenses	-	374,730
Amounts owed to group undertakings	11,463,951	7,278,868
Social security and other taxes	581	-
Other payables	1,469,375	2,753,489
	13,008,904	10,448,194

19 Trade and other payables (continued)

Trade and other payables are unsecured,interest free and have no fixed date of repayment and are repayable on demand.

20 Dividends

	31 December 2020 £
Interim dividends of £106,156,000 (2019: £-) per ordinary share	106,156,000

21 Related undertaking

The company's related undertakings as at 31 December 2020 and 31 December 2019 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%

Registered office:
5 Howick Place
London
England
SW1P 1WG

22 Related party transactions

	Morecambe Wind Limited 2020 £
Transactions	
Power sales and rendering of services	1,577,595
Purchase and receipt of services	14,105,771
Finance income	10,813
Finance expense	105
Balance outstanding at balance sheet date	
Trade and other receivables	4,244,141
Trade and other payables	3,246,097

	Morecambe Wind Limited 2019 £
Transactions	
Power sales and rendering of services	667,635
Purchase and receipt of services	12,413,952
Finance income	-
Finance expense	8,372
Balance outstanding at balance sheet date	
Trade and other receivables	1,953,647
Trade and other payables	3,846,634

23 Parent and ultimate parent undertaking

The immediate parent of the company is Orsted Power UK Limited incorporated in England, which owns 100% of the ordinary share capital.

The ultimate parent company is Orsted A/S, incorporated in Denmark. The Danish State currently holds 50% (2019: 50%) of the share capital of Orsted A/S 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 Orsted A/S.

The consolidated financial statements of this company are available to the public from:
Orsted A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia
Denmark