

Company Registration No. 05893966

HAVEN POWER LIMITED

Report and Audited Financial Statements

Year ended 31 December 2020

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HAVEN POWER LIMITED

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HAVEN POWER LIMITED

Company information

Year ended 31 December 2020

Directors

Will Gardiner
Paul Sheffield
Andy Skelton

Company Secretary

Brett Gladden

Registered Office

Drax Power Station
Drax
Selby
United Kingdom
YO8 8PH

Statutory Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ
United Kingdom
Statutory Auditor

HAVEN POWER LIMITED

Strategic report

Year ended 31 December 2020

Introduction

The Directors present their Strategic report for Haven Power Limited (the "Company") for the year ended 31 December 2020.

Principal activity

The Company supplies electricity to business customers offering 100% renewable electricity, competitive pricing, first class customer service, and contracts tailored precisely to their needs. The Company provides value to the Drax Group through the provision of an alternative credit efficient route to market for the sale of power, Renewable Obligation Certificates ("ROCs") and Renewable Energy Guarantees of Origin ("REGOs").

As a subsidiary of the Drax Group, our purpose is to enable a zero carbon, lower cost energy future, and this is the basis of our strategy.

Business review

2020 witnessed the outbreak of Covid-19 with global economic impact. For the Company, the safety and wellbeing of colleagues remained paramount.

The Company experienced significant challenges associated with the impact of Covid-19. This related primarily to reduced demand, the costs associated with mark-to-market losses on pre-purchased power, as well as an increase in bad debt (principally from SME customers in higher risk industries).

The majority of this impact was taken in the first half of the year and, despite a further national lockdown during November 2020, the second half of the year out-turned broadly in line with the expectations developed during the first half.

The results for the Company for the year, as set out on page 14, show a loss after tax of £9,619,000 (2019: £6,059,000 profit). The Company generated a negative EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), amounting to £10,100,000 (2019: £9,500,000 positive); this is after management charges paid to group companies of £4,138,000 (2019: £4,500,000).

Impairment losses on trade debtors for the year amounted to £4,823,000, an increase of £2,744,000 compared to the prior year (2019: £2,079,000). Throughout the year, the employees of the Company have focused on supporting customers as well as working to deliver improvements.

The overall provision for trade debtors at the end of 2020 is £4,974,000 (2019: £2,937,000). In addition, the Company has credit insurance coverage to help further mitigate some of this risk.

The net assets of the Company total £28,655,000 (2019: £27,981,000); this includes a capital contribution of £10,000,000 from Drax Smart Supply Holdco Limited in the year.

The Company offers customer-centric services, and simplicity and flexibility across our products, actively engaging with customers to help them manage their energy requirements and reduce carbon emissions. We have continued to focus on value-adding flexible products and services, particularly to our larger customers whose needs extend beyond commodity supply. This is demonstrated through our ability to help customers manage and optimise their power consumption profiles through collaboration with our carefully selected partners. Through better systems and services, customer targeting and a keener focus on cost-to-serve we are driving efficiencies at Haven Power.

An excellent standard of customer service is central to our proposition. This good service reputation has supported retention levels.

HAVEN POWER LIMITED

Strategic report

Year ended 31 December 2020

Principal risks and uncertainties

The Company has a comprehensive system of governance controls in place to manage risks. Policies, procedures and internal controls have been established across the key areas of the business to ensure that these risks are managed in a controlled manner and in accordance with the policies set by the Board.

Throughout 2020 the Group, of which the Company is part of, continued to monitor and prepare for the UK's customs exit from the EU including managing for a no deal Brexit. Generally, the overall financial and non-financial risk impact to the Group and Company of Brexit to date has been minimal and this is expected to continue into 2021. The risk does still remain a focus for the Group and it updates its mitigating actions to minimise any effects on business operations if and when required.

The Risk Management Committee is responsible for monitoring the risk management process, ensuring that all risks associated with a specific area of the business are identified, analysed and managed systematically and appropriately. This Committee also forms part of the wider risk management processes of Drax Group.

The principal risks of our business are considered to be:

- Credit risk
- Commodity market price risk
- Operating risk
- Regulatory and political risk
- Climate change

Further information on financial risks is given in the Directors' report. Both financial and non-financial risks are discussed in the 2020 Drax Group plc Annual report and accounts. Note that climate change has been added as a principal risk this year, consistent with Drax Group plc.

Key performance indicators

The company delivered net sales volumes of 10.9TWh compared to 11.6TWh in 2019, with revenue of £1,372,000,000 (2019: £1,413,000,000) at an average price of £125.4 per MWh (2019: £121.9 MWh).

Cost of sales was £1,347,000,000 in 2020 (2019: £1,368,000,000). In addition to the cost of purchasing power, cost of sales comprises third-party costs including grid charges, the cost of meeting our obligations under the Renewables Obligation and small-scale Feed-in-Tariff, Contract-for-Difference and Capacity Market schemes. Grid charges include costs of distribution, transmission and system balancing.

Gross profit for the year was £24,871,000 (2019: £44,506,000), representing a margin of 1.8% (2019: 3.1%). The decrease in margin has been significantly influenced by the reduction in demand due to Covid-19 and the cost associated with mark-to-market losses on pre-purchased power as market prices have fallen.

HAVEN POWER LIMITED

Strategic report

Year ended 31 December 2020

Going concern and future developments

Subsequent to the balance sheet date, Covid-19 continues to cause disruption to businesses and economic activity. The Directors continue to monitor the Company's portfolio, adopting a prudent approach to customer acquisitions, with robust credit procedures to ensure the quality of the underlying customer book. Despite remaining cautious about the trajectory for Covid-19 recovery in the Company's forecast financial performance, a return to profitability in future periods is anticipated.

The Company is part of the Drax Group banking facilities. As such funding is provided by a group treasury company, Drax Corporate Limited, to enable the Company to meet its working capital requirements and to invest in the people and systems required for future growth; on this basis, the Directors consider the Company to be a going concern.

Companies Act, Section 172 statement

The directors have a duty to promote the success of the Company, having regard to a range of matters and stakeholders. The Board recognises that decisions taken today will shape both the longer-term performance of the business and its impact on our various stakeholders, and therefore factors in the long-term impact on stakeholders during decision making.

The Board is responsible for engagement with a range of stakeholders, and believes that considering the interests of our stakeholders in key business decisions is fundamental to the ability of the Company and the Drax Group plc group of companies (the "Group"), to deliver sustainable value creation. This consideration enables the Company and the Group to have a positive impact on the environment, our communities and wider society over the longer term.

A comprehensive list of stakeholders identified across the Group, and how we engage with them and have regard to their interests, can be found from pages 40 to 45 in the 2020 Drax Group plc Annual report and accounts. Examples of some of the Company's key stakeholders include:

Workforce

Engaging with the workforce enables employees to be better informed and able to contribute to the delivery of our purpose and strategy, whilst creating a safe and engaging culture and environment where our employees feel valued, respected and listened to. We want all employees to feel they can grow, develop and make a meaningful contribution to our strategy, purpose and communities, whilst building resilience to cope with the context in which we are operating.

We maintain regular dialogue with our workforce through our Customers employee engagement ("My Voice") forum, colleague briefings, weekly updates and Q&A from our CEO and our pulse and annual engagement surveys.

The Customers' My Voice forum is made up of members nominated by colleagues from the Customers business unit and meets formally each quarter. The chairs of each forum, across the Group, come together quarterly to discuss workforce issues across the business, and discuss topics where workforce feedback has been sought. The chairs then meet with the Chair of the Drax Group plc Board of Directors and the CEO to discuss the key issues raised, with feedback from these meetings then shared with all forum members.

HAVEN POWER LIMITED

Strategic report

Year ended 31 December 2020

Workforce (continued)

Matters discussed during 2020 include diversity and inclusion, how effectively our Covid-19 response was communicated, colleague wellbeing in lockdown, and how colleagues would prefer to work in future. We listened to and acted on colleague feedback - we introduced flexible working policies including working from home policy and guidance, developed our diversity and inclusion strategy, developed and delivered plans to further support colleague wellbeing including: a dedicated intranet resource; Mental Health Awareness training for managers; building resilience e-learning for all colleagues; raising further awareness of existing wellbeing benefits available and a step challenge to encourage physical fitness and (virtual) social connection, and creating a dedicated intranet resource to clarify the latest guidance and information about Covid-19.

Our dialogue with employees also includes regular communication about the Company's, and the Group's, strategy, plans and performance. During 2020, communications included updates about progress against the Group-wide scorecard, which includes KPIs in relation to financial, strategic, safety and sustainability performance. Annual bonuses for employees are linked to the scorecard performance, ensuring that employee reward and Group performance are aligned. We actively encourage employee participation in the Group-wide all-employee Sharesave scheme, offering the maximum discount of 20% and waiving any length of service requirements. During 2020, more than half of all UK employees across the Group participated in a Drax Sharesave scheme.

Customers

Engagement with customers and brokers allows us to better understand our customer's needs and how we can deliver continuous improvement in customer service. We engage with our customers through channels such as social media, our website, by phone and through our complaints procedure.

We listened to how customers were being affected by Covid-19 and took several measures to support them: we retrained call centre colleagues to equip them with the skills to help customers in need, created deferred payment plans and donated monies to Debtline, a specialist debt charity.

Suppliers

Our procurement, business ethics and sustainability functions engage directly with suppliers around key issues to ensure our values and our policies are effectively incorporated into and upheld throughout our supply chain. We also seek the views of suppliers and contractors to collaborate on improvements in standards and meeting our obligations under law, and regulations which are in keeping with our values.

Regulators

Engagement with Ofgem, environmental agencies and the ICO enables us to promote best practice and ensure we remain compliant with the latest guidance.

Shareholders

Our ultimate parent company is Drax Group plc and therefore we act in the best interests of our immediate and ultimate parent companies and, in doing so, in the best interest of the investors and shareholders of the Group. This ensures that the interests of all relevant stakeholders, and the need to act fairly between members of the Company, are considered during decision-making.

Drax engages with shareholders through a wide range of channels including our website, Drax AGM, full-year and half-year results. We also have an ongoing programme of investor relations meetings. Reflecting feedback from investors, in 2020 we continued to develop our programme of ESG reporting.

HAVEN POWER LIMITED

Strategic report

Year ended 31 December 2020

Community and the environment

Tackling climate change is at the heart of our purpose and we are committed to helping the UK and the wider world to achieve its climate change targets. For more information, see pages 48 to 63 of the 2020 Drax Group Annual report and accounts.

We engage regularly with communities through supporting local initiatives and holding drop-in sessions. To read more about our positive social impact across the Group, see pages 40 to 45 and 56 to 63 in the 2020 Drax Group Annual report and accounts.

Standards of business conduct

We are committed to conducting business ethically, with honesty and integrity, and in compliance with all relevant laws and regulations. We do not tolerate any form of bribery, corruption, human rights abuse, or other unethical business conduct.

Our business ethics compliance framework identifies the behaviours expected from colleagues on a broad range of topics. In 2020, we deployed new annual refresher eLearning across Drax on data protection and anti-bribery and corruption. For more details on how the business ethics programme is managed, see pages 61 to 63 of the 2020 Drax Group Annual report and accounts.

This report was approved by the Board on 16 August 2021 and signed on its behalf.



Paul Sheffield

Director

HAVEN POWER LIMITED

Directors' report

Year ended 31 December 2020

The Directors present their report, together with the audited financial statements of Haven Power Limited for the year ended 31 December 2020.

The Company is a subsidiary of the Drax Group plc group of companies ("the Group").

Disclosures required by s416(4) of Companies Act 2006 which are presented in the Strategic report include going concern and future developments as the Directors consider them to be of strategic importance to the Company.

Results and dividends

The loss for the year, after taxation, amounted to £9,619,000 (2019: £6,059,000 profit).

No dividend has been paid or is proposed for the year to 31 December 2020 (2019: £nil).

Directors

The Directors who served during the year and to the date of this report unless otherwise stated, were:

Will Gardiner

Paul Sheffield

Andy Skelton

Andrew Koss (resigned 7 April 2020)

Carl Goulton (resigned 31 March 2020)

Financial risk management

The Company's activities expose it to a number of financial risks and uncertainties including liquidity risk, cash flow risk, credit risk and commodity market price risk. These risks are monitored by the Company's Risk Management Committee. This Committee also forms part of the wider risk management processes of Drax Group.

Liquidity and cash flow risk

The treasury function is managed by Drax Corporate Limited, an intermediate parent company responsible for managing cash deposits and short-term investments. Liquidity needs are monitored using regular forecasting of operational cash flows. Working capital is provided by Drax Corporate Limited to ensure that sufficient funds are available for on-going operations and future developments.

The Company has access to a non-recourse receivables monetisation facility which allows the Company to sell its unbilled and billed receivables.

Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date (namely cash at bank, trade and other receivables and accrued income). The Company's credit risk is primarily attributable to its trade debtors and accrued income. The amounts presented in the balance sheet are shown net of allowances for bad debts. Credit risk management policies have been developed which are regularly reviewed by the Directors. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

HAVEN POWER LIMITED

Directors' report (continued)

Year ended 31 December 2020

Financial risk management (continued)

Commodity market price risk

The Company enters into contracts with customers which could result in exposure to the effect of fluctuations in the price of electricity. Hedging policies have been developed which are monitored and reviewed by the Directors.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Third party indemnity insurance

The Company has the appropriate indemnity insurance cover in place in respect of legal action against the directors of the Company.

Streamlined energy and carbon reporting

Haven Power Limited has taken the exemption from disclosing an SECR report as their figures are included within their ultimate parent company's financial statements. These can be seen in the annual report of Drax Group plc.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

HAVEN POWER LIMITED

Directors' report (continued)

Year ended 31 December 2020

Directors' responsibilities (continued)

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. They 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.

Events after the balance sheet date

There are no significant post balance sheet events to note.

Matters covered in the Strategic report

Engaging with our stakeholders, including our workforce and those with who we have a business relationship, is fundamental to our success. We recognise that to achieve our purpose, we need to listen to, and work with, a diverse range of interested parties. For more information on our stakeholders, how we engage with them and have regard to their interests, please refer to the Strategic report.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have been appointed as auditor in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 16 August 2021 and signed on its behalf.



Paul Sheffield
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAVEN POWER LIMITED (CONTINUED)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Haven Power Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Haven Power Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAVEN POWER LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the Company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAVEN POWER LIMITED (CONTINUED)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation and regulations for energy suppliers; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Accuracy of unbilled revenue has been determined a significant risk due to it carrying the greatest potential for fraud. Our audit procedures involve reviewing the design and implementation of internal controls surrounding the unbilled revenue business process as well as substantive procedures that test the year end unbilled debtors ledger through to post year end billings as well as testing unbilled debt at P10 through to subsequent billings and cash receipts for recoverability purposes.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAVEN POWER LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Anthony Matthews FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 16 August 2021

HAVEN POWER LIMITED

Statement of comprehensive income

Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover		1,372,017	1,412,954
Cost of sales		(1,347,146)	(1,368,448)
Gross profit		24,871	44,506
Administrative expenses		(39,004)	(38,400)
Operating (loss)/profit	5	(14,133)	6,106
Finance income	6	279	1,292
(Loss)/Profit before taxation		(13,854)	7,398
Tax	7	4,235	(1,339)
(Loss)/Profit for the financial year attributable to the equity shareholders of the company		(9,619)	6,059

The accompanying notes 1 to 18 are an integral part of these financial statements.

All results derive from continuing operations.

There are no comprehensive income or expenses other than the loss for the financial year and the profit for the preceding financial year. Accordingly, no statement of other comprehensive income is given.

HAVEN POWER LIMITED

Statement of financial position

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	8	34,595	34,564
Current assets			
Debtors due within one year	9	450,896	392,431
Cash at bank and in hand		3,696	6,706
		454,592	399,137
Creditors: amounts falling due within one year	10	(457,338)	(400,383)
Net current liabilities		(2,746)	(1,246)
Total assets less current liabilities		31,849	33,318
Creditors: amounts falling due after more than one year	11	(3,194)	(5,337)
Net assets		28,655	27,981
Capital and reserves			
Called up share capital	13	-	-
Share premium account		11,960	11,960
Profit and loss account		16,695	16,021
Shareholder's funds		28,655	27,981

The accompanying notes 1 to 18 are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board and were signed on its behalf on 16 August 2021.



Paul Sheffield
Director

HAVEN POWER LIMITED

Statement of changes in equity

Year ended 31 December 2020

	Share premium account £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 1 January 2019	11,960	9,926	21,886
Share based payments (see note 4)	-	36	36
Profit for the financial year and total comprehensive income	-	6,059	6,059
At 31 December 2019	11,960	16,021	27,981
Share based payments (see note 4)	-	293	293
Capital contribution	-	10,000	10,000
Loss for the year and total comprehensive expense	-	(9,619)	(9,619)
At 31 December 2020	11,960	16,695	28,655

HAVEN POWER LIMITED

Notes to the financial statements

Year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the periods presented.

Basis of accounting

Haven Power Limited is a private company, limited by shares incorporated in the United Kingdom under the Companies Act 2006, and registered in England and Wales. The registered number of the Company is 05893966. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 6.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 (FRS 102) applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in sterling (£) and rounded to the nearest £'000s.

Haven Power Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available for both current and prior years. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Going concern

The Company has a written letter of support from Drax Corporate Limited, another group company. The Company has a net asset position on the balance sheet and the directors have a reasonable expectation that, with confirmation of Group support, the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further detail regarding the financial performance of the Company, including the impact of Covid-19, can be found in the Business review on page 2.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Office equipment	5 years
IT hardware and software	3 - 10 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

1. Accounting policies (continued)

Share-based payments

The ultimate parent company issues equity settled share-based payments to certain employees which are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will ultimately vest and adjusted for the effect of non-market-based vesting conditions. Given the nature of the share-based payments, these are included in equity as a capital contribution.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover is recorded after deduction of trade discounts, Value Added Tax and Climate Change Levy. Turnover, all of which arises in the United Kingdom, is attributable to the supply of electricity to businesses.

Turnover is recognised on the supply of electricity when:

- a contract exists;
- supply has taken place;
- a quantifiable price has been established or can be determined; and
- the debtors are likely to be recovered.

Energy supplied but not yet measured nor billed is calculated based on consumption statistics and selling price estimates. Accordingly, income is accrued or deferred as appropriate.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

1. Accounting policies (continued)

Pension costs

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

1. Accounting policies (continued)

Financial assets and liabilities (continued)

Financial instruments are reviewed against the requirements of FRS 102.11 to assess if they are basic or non-basic. Basic debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. In particular, the Company has entered into a non-recourse receivables monetisation facility which allows the Company to sell its unbilled and billed receivables. The unbilled and billed debt is derecognised from the Company balance sheet at the date of sale.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Reserves

Share premium account

This reserve records the amount above nominal value received for shares issues, less transaction costs.

Profit and loss account

This reserve comprises all current and prior years retained profits and losses, and also includes capital contributions.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Management have concluded that there are no critical judgements, that the directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Management have considered the key sources of estimation uncertainty, that carry the most significant risk of a material effect on next year's Financial statements – that is, the items where actual outcomes in the next 12 months could vary significantly from the estimates made in determining the reported amount of an asset or liability. The only such item within these financial statements is the IT software cost capitalisation as disclosed in note 8.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

3. Information regarding directors and employees

	2020 £'000	2019 £'000
Directors' remuneration		
Emoluments	290	431
Pension contributions	26	52
Share-based payments	70	7
	<u>386</u>	<u>490</u>
	Number	Number
The number of directors who are members of a money purchase pension scheme	2	3
The number of directors who exercised share options	1	1
	<u>1</u>	<u>1</u>
	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	202	193
Pension	22	19
	<u>224</u>	<u>212</u>
	Number	Number
Average number of persons employed		
Sales, Marketing and Operations	238	271
Administration	143	153
	<u>381</u>	<u>424</u>
	2020 £'000	2019 £'000
Staff costs during the financial period (including directors)		
Wages and salaries	13,704	14,294
Social security costs	1,630	1,687
Pension costs	945	882
Share-based payments	293	40
	<u>16,572</u>	<u>16,903</u>

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

4. Share-based payments

The Company participates in three types of share plan operated by the ultimate parent company Drax Group plc. The Drax Group plc Savings-Related Share Option Plan ("SAYE Plan") is open to all employees, and the Drax Group plc Performance Share Plan ("PSP") and Long Term Incentive Plan 2020 ("LTIP 2020") provide long term incentives to executive Directors and senior managers. The Deferred Share Plan (DSP), is an additional incentive scheme for Directors.

Costs recognised in the profit and loss account in relation to share-based payments were as follows:

	2020	2019
	£'000	£'000
SAYE	176	100
PSP and LTIP 2020	67	(105)
DSP	50	45
	<u>293</u>	<u>40</u>

Included within the charge above is £nil (2019: £4,000) in respect of discretionary cash-settled share-based payments, thus the value of share-based payments disclosed in the Statement of Changes in Equity is £293,000 (2019: £36,000).

Additional information in relation to the share-based incentive plans is included in the Remuneration Committee report in the 2020 Drax Group plc Annual report and accounts 2020.

5. Operating profit

	2020	2019
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of owned assets	4,174	3,397
Impairment loss on debtors	4,823	2,079
Operating lease rentals - land and buildings	364	348
Operating lease rentals - other	5	66
	<u></u>	<u></u>

The analysis of auditor's remuneration is as follows:

Fees allocated as payable to the company's auditor for the audit of the company's financial statements and total remuneration

	<u>116</u>	<u>108</u>
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HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

6. Finance income

	2020 £'000	2019 £'000
Other interest receivable	-	2
Interest receivable on amounts owed by group undertakings	279	1,290
	<u>279</u>	<u>1,292</u>

7. Tax

	2020 £'000	2019 £'000
Current taxation		
Tax (credit)/charge for the year	(3,486)	336
Adjustments in respect of prior periods	(355)	56
	<u>(3,841)</u>	<u>392</u>
Total current tax (credit)/charge	<u>(3,841)</u>	<u>392</u>
Deferred taxation		
Origination and reversal of timing differences	(35)	1,016
Adjustments in respect of prior periods	(359)	(69)
	<u>(394)</u>	<u>947</u>
Total deferred tax (credit)/charge	<u>(394)</u>	<u>947</u>
	<u>(4,235)</u>	<u>1,339</u>
Tax (credit)/charge for the year	<u>(4,235)</u>	<u>1,339</u>

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

7. Tax (continued)

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020 £'000	2019 £'000
(Loss)/Profit before tax	(13,854)	7,398
Tax credit on (loss)/profit on ordinary activities before tax at 19.00% (2019: 19.00%)	(2,632)	1,406
Effects of:		
Expenses not deductible for tax purposes	12	39
Impact of rate change	(388)	(93)
Transfer pricing adjustments	(475)	-
Adjustment in respect of prior periods (group relief)	(355)	56
Adjustment in respect of prior periods (deferred tax)	(359)	(69)
Other tax adjustments	(38)	-
Tax (credit)/charge for the year	(4,235)	1,339

The Finance Act 2015 included legislation to reduce the rate of UK corporation tax from 20% to 19% from 1 April 2017, and to 18% from 1 April 2020. In addition, the Finance Act 2016 included legislation to reduce the rate of UK corporation tax to 17% from 1 April 2020. Subsequently, on 11 March 2020, the Chancellor announced that this corporate tax rate reduction to 17% will be cancelled and the main rate of corporate tax will remain at 19%.

To the extent they are recognised, the closing deferred tax balances are calculated at 19%, the rate which was substantively enacted at the balance sheet date.

A further announcement was made by the Chancellor on 3 March 2021 to increase the main rate of corporation tax to 25% from April 2023. Deferred tax balances will be remeasured reflecting this change at the point it is substantively enacted.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

8. Tangible fixed assets

	IT software £'000	IT hardware £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2020	63,487	2,478	1,158	67,123
Additions	4,142	-	63	4,205
At 31 December 2020	67,629	2,478	1,221	71,328
Accumulated depreciation				
At 1 January 2020	29,921	1,945	693	32,559
Charge for the year	3,737	314	123	4,174
At 31 December 2020	33,658	2,259	816	36,733
Net book value				
At 31 December 2020	33,971	219	405	34,595
At 31 December 2019	33,566	533	465	34,564

There are no tangible fixed assets held under finance leases.

Included within IT software above is an amount of £19,200,000 (2019: £19,200,000) for a billing system where the Company has stopped development in 2019 and is engaged in active discussion with the supplier reflecting the supplier's failure to perform under this contract. No amounts have been provided in respect of these assets as the Company believes that the carrying amount will be recovered in full, supported by legal advice.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

9. Debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	21,681	3,792
Amounts owed by group undertakings	382,240	326,660
Prepayments and accrued income	40,352	56,302
Other debtors	4,461	3,909
Deferred tax asset (note 12)	2,162	1,768
	<u>450,896</u>	<u>392,431</u>

Prepayments and accrued income includes £32,404,000 (2019: £46,398,000) of power supplied but not yet billed.

The amounts owed by group undertakings bear a commercial rate of interest, payable on a quarterly basis. In the absence of payment on the due dates, interest is rolled over and added to the balance due. The full balance is repayable on demand.

10. Creditors – amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	6,549	8,960
Customer deposits and payments in advance	11,453	9,591
Amounts owed to group undertakings	110,888	59,609
Other taxes and social security	22,157	23,752
Other creditors	329	174
Corporation tax	-	357
Accruals and deferred income	305,962	297,940
	<u>457,338</u>	<u>400,383</u>

Accruals and deferred income includes £242,352,000 (2019: £243,411,000) of accruals for direct costs.

The amounts owed to group undertakings bear a commercial rate of interest, payable on a quarterly basis.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

11. Creditors – amounts falling due after more than one year

	2020 £'000	2019 £'000
Customer deposits and payments in advance	1,135	555
Accruals and deferred income	2,059	4,782
	<u>3,194</u>	<u>5,337</u>

12. Deferred taxation

	2020 £'000	2019 £'000
At the beginning of the year	1,768	2,301
Credited/(charged) to the profit and loss account	394	(947)
Credit from other group companies	-	414
	<u>2,162</u>	<u>1,768</u>

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

The deferred taxation balance is made up as follows:

	2020 £'000	2019 £'000
Accelerated capital allowances	(558)	(246)
Other timing differences	477	327
Losses	2,243	1,687
	<u>2,162</u>	<u>1,768</u>

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

13. Called up share capital

	Number	£
Called up, allotted and fully paid		
Ordinary shares of £0.01 each		
At 31 December 2020 and 31 December 2019	<u>10,100</u>	<u>101</u>

The ordinary shares carry full rights in respect of voting, dividends and capital distributions. There is no right to fixed income.

The called-up share capital reserve represents the nominal value of the shares issued.

14. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £'000		2019 £'000	
	Land & Buildings	Other	Land & Buildings	Other
Expiry date				
-within one year	338	36	396	40
-between one and five years	1,332	43	1,337	41
-after five years	167	1	500	-
	<u>1,837</u>	<u>80</u>	<u>2,233</u>	<u>81</u>

In addition, the Company had metering commitments amounting to £2,462,000 (2019: £2,859,000).

At 31 December 2020, the Company was contracted to purchase £1,177,815,000 of energy (2019: £1,231,713,000). This purchase commitment is to be covered by electricity sales to customers in the same period.

15. Contingent liabilities

Guarantees

The Company provides security and guarantees to certain members of the Drax Group under certain financing arrangements, which would crystallise in the event of the Drax Group companies defaulting on their outstanding borrowings:

- At 31 December 2020 the outstanding secured borrowings of the Group amounted to £1,085.3 million (2019: £1,267.5 million).
- At 31 December 2020 letters of credit issued under the revolving credit facility, held by Drax Corporate Limited (a Drax Group Company) amounted to £67.9 million (2019: £77.0 million).

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2020

15. Contingent liabilities (*continued*)

Guarantees and security have also been provided in respect of the above borrowings by certain members of the Drax Group.

The Company also provides security and guarantees in respect of Drax Power Limited's (a Drax Group Company) obligations under certain secured trading line for secured commodity trading and certain FX, inflation and interest rate hedging arrangements that form part of the Drax Group's senior financing arrangements and which would crystallise in the event of Drax Power Limited defaulting on the terms of these arrangements. During the year the Group opted to close the secured commodity trading line and as such no further trades are able to utilise the line. The final trades utilising the line matured in March 2021. As at 31 December 2020, this value was £0.8 million (2019: £32.7 million).

No liability is provided in respect of any of the above matters as the likelihood of an event of default is considered to be remote in each case.

Further information on the Group's borrowings can be found in note 4.3 to the Drax Group plc 2020 Annual Report and Accounts on pages 184-187.

On 18 February 2021, another Group company drew down further amounts of £45.0 million and €95.0 million under its infrastructure term loan facilities agreement. These facilities are secured under the same arrangements as noted above.

16. Pension arrangements

The Company operates a defined contribution scheme which is open to all Company employees. During the period to 31 December 2020, contributions of £945,000 were paid (2019: £882,000). £124,000 worth of pension contributions were outstanding as at 31 December 2020 (2019: £144,000).

17. Related party transactions

The Company has taken advantage of the exemption contained in Section 33 of FRS 102, not to disclose transactions with wholly owned entities within the group headed by Drax Group plc. There were no other related party transactions.

18. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Drax Smart Supply Holdco Limited, a company incorporated in England and Wales.

Drax Group plc is the ultimate parent company, a publicly listed company incorporated in England and Wales. The smallest and largest group in which the results of the Company are consolidated is Drax Group plc. Copies of the consolidated financial statements for Drax Group plc are available from the Company Secretary, Drax Power Station, Selby, North Yorkshire YO8 8PH, the registered office of the ultimate parent company, and from the Group's website at www.drax.com.