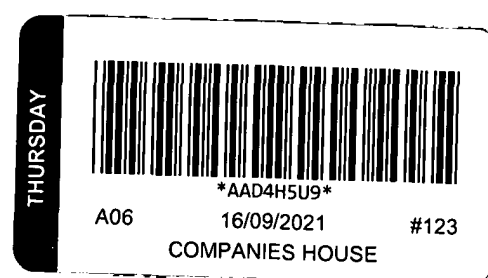


OPW Holdco Limited
Annual Report and Financial Statements
Registered number 07254492
31 December 2020



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Strategic Report

The directors present their Strategic Report and Financial Statements for the year ended 31 December 2020.

Business Review

OPW Holdco Limited's 24.8% share of the generation was 361 GWh (2019: 338 GWh). The company generated turnover for the year of £49,518,712 (2019: £48,451,512) and made a loss after tax for the year of £14,570,000 (2019: Loss £12,526,000).

There has been an increase in the gross margin and gross profitability of the company due to generation levels. Impairment of the investment in Walney (UK) Offshore Windfarms Limited of £26,384,970 (2019: £23,213,000) is also included within administrative expenses.

Principal Risks and Uncertainties

The company's activities expose it to a number of financial risks.

Credit Risk

The company's credit risk is primarily attributable to recoverability of its debtors, including trade debtors. Sales are made under a long term Power Purchase Agreement which regulates the invoice payment terms. Recoverability of trade debtors is monitored on a regular basis.

Liquidity Risk

In order to maintain liquidity and ensure that sufficient funds are available to meet its financial commitments, the company relies on extensive cash flow forecasting.

The company uses the cash flow forecasts to ensure that both the principal and interest payments in respect of its debt position are covered by sufficient incoming cash flows.

Interest Risk

The company uses derivatives, including interest rate swaps, to manage its exposure to interest rate movements on its bank borrowings.

Volume and Price Risk

The company has an agreement with the company in which it holds an investment, Walney (UK) Offshore Wind Farms Limited, to purchase electricity at an indexed fixed annual price irrespective of volume. The company also has an agreement with its customer to sell the electricity at variable prices linked to the LEBA (London Energy Brokers' Association) Index. The volume and price risk are assumed by OPW Holdco Limited, but these risks are mitigated by the inclusion of a floor power price in the agreement to sell the power. In addition, the company holds business interruption insurance to cover lost revenue if there was a generation outage. It is also a shareholder in the underlying operational company enabling it to still derive value from its investment.

Section 172(1) statement

The company's long-term plan is the holding of its investment in Walney (UK) Offshore Windfarms Limited and the resale of its share of the electricity generated by this undertaking. The directors review this long-term plan, to date no decision have been made to change the long-term plan.

Employees

The company does not have any employees. The directors use service providers for all operational activities.

The Board of Directors

The directors ensure that any service providers act with due care towards their employees while working for the company, including complying with the company's safety requirements.

Strategic Report (Continued)

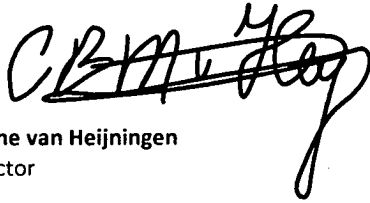
Shareholders

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

Suppliers

The company is committed to using suppliers who operate consistently in accordance with its values, and who maintain high standards for HSE, ethics and corporate social responsibility.

By order of the board

A handwritten signature in black ink, appearing to read 'C. van Heijningen', with a stylized flourish at the end.

Corine van Heijningen
Director

26 August 2021

Directors' Report

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

Principal activity

The principal activities of the company are acting as a holding company for an investment in Walney (UK) Offshore Windfarms Limited, and the resale of its share of the electricity generated by this undertaking.

Results and proposed dividend

The loss for the year, after taxation, amounted to £14,570,000 (2019: Loss: £12,526,000).

An interim ordinary dividend of £8,500,000 was paid during the year. The directors do not recommend the payment of a final ordinary dividend.

Directors

The directors who held office during the year were as follows:

Ms C B M van Heijningen
Mr S J Read

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Financial instruments

Details of the company's financial risk management objectives and policies, including its use of financial instruments and the key risks to which it is exposed, are included in the strategic report on page 3.

Statement of business relationships

Details of the company's engagement with key stakeholders including suppliers and customers, is set out in the Section 172 statement in the Strategic report.

Political contributions

Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

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.

Directors' Report (Continued)

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

A handwritten signature in black ink, appearing to read 'CBM + Heijningen', written over a horizontal line.

Corine van Heijningen
Director

Unit 2A Century Mews
100A Church Road
Tiptree, Essex
CO5 0AB

26 August 2021

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of OPW Holdco Limited

Opinion

We have audited the Financial Statements of OPW Holdco Limited ("the company") for the year ended 31 December 2020 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and its result for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

Independent Auditor's Report to the Members of OPW Holdco Limited (Continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue streams were considered to be straightforward and not exposed to a risk of fraudulent revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted to unrelated accounts linked to cash and borrowings.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and

in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of OPW Holdco Limited (Continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the Financial Statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

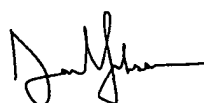
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 auditors' 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.



David Johnson (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditors

Chartered Accountants
Botanic House, 100 Hills Road
Cambridge
CB2 1AR

27 August 2021

**Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2020**

	Notes	2020 £000	2019 £000
Turnover	2	49,519	48,451
Cost of sales		(33,569)	(34,197)
Gross Profit		15,950	14,254
Administrative expenses		(27,573)	(24,134)
Operating loss		(11,623)	(9,880)
Income from participating Interest	6	16,141	17,112
Other interest receivable and similar income	7	13	33
Interest payable and similar charges	8	(17,524)	(18,006)
Loss on ordinary activities before taxation		(12,993)	(10,741)
Taxation on profit of ordinary activities	9	(1,577)	(1,785)
Loss for the financial year		(14,570)	(12,526)
Other comprehensive loss			
Other comprehensive loss for the year net of income tax		-	-
Total comprehensive loss for the year		(14,570)	(12,526)

The notes on pages 14 to 28 form part of the Financial Statements.

Balance Sheet
At 31 December 2020

	Notes	2020 £000	2019 £000
Fixed Assets			
Investments	10	219,937	252,822
Current Assets			
Debtors	11	17,865	17,590
Cash at bank and in hand		5,954	9,470
Creditors: amounts falling due within one year	12	(20,057)	(21,659)
Net current assets		<u>3,762</u>	<u>5,401</u>
Total assets less current liabilities		<u>223,699</u>	<u>258,223</u>
Creditors: amounts falling due after one year	13	(204,788)	(216,242)
Net assets		<u>18,911</u>	<u>41,981</u>
Capital and Reserves			
Called up share capital	17	15,413	15,413
Profit and loss account		3,498	26,568
Shareholders' funds		<u>18,911</u>	<u>41,981</u>

These Financial Statements were approved by the Board of Directors on 26 August 2021 and were signed on its behalf by:



Corine van Heijningen
Director

Company Registered Number: 07254492

The notes on pages 14 to 28 form part of the Financial Statements.

Statement of Changes in Equity

	Called up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 January 2019	15,413	39,094	54,507
Total comprehensive loss for the period	-	(12,526)	(12,526)
Balance at 31 December 2019	15,413	26,568	41,981

	Called up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 January 2020	15,413	26,568	41,981
Total comprehensive loss for the period	-	(14,570)	(14,570)
Transactions with owners recorded directly in equity	-	-	-
Dividend paid on Ordinary Shares	-	(8,500)	(8,500)
Balance at 31 December 2020	15,413	3,498	18,911

The notes on pages 14 to 28 form part of the Financial Statements.

Notes (forming part of the Financial Statements)**1. Accounting Policies**

OPW Holdco Limited (the “company”) is a private company limited by shares and incorporated and domiciled in the UK. The address of the registered office is Unit 2a, Century Mews, 100A Church Road, Tiptree, Essex, CO5 0AB.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These Financial Statements were prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (“FRS 102”) and the Companies Act 2006. The presentation currency of these Financial Statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The directors reserve the right to voluntarily amend the Financial Statements if they prove to be defective in accordance with section 454 of the Companies Act 2006.

The company’s ultimate parent undertaking, OPW Topco Limited includes the company in its Consolidated Financial Statements. The Consolidated Financial Statements of OPW Topco Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ. In these Financial Statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cashflow Flow Statement and Related Notes.
- certain disclosures required by FRS 102.26 Share Based Payments; and,
- certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement Convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments.

Notes (Continued)**1. Accounting Policies (Continued)****1.2 Going Concern**

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

At the period end the company had net current assets of £3,762,000 (2019: £5,401,000) including cash balances of £5,954,000 (2019: £9,470,000). Net assets at the same date were £18,911,000 (2019: £41,981,000).

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides on the operations and its financial resources, the company will have sufficient funds to meet its liabilities as they fall due for that period. The directors, therefore, consider it appropriate to prepare the financial statements on the going concern basis.

The directors in their assessment considered the following factors:

1. Dividend income is derived from the company's investment in Walney (UK) Offshore Windfarms Limited whose income is fixed and not linked to generation; and costs are contracted through fixed price long term maintenance agreements. The directors therefore do not expect dividend income to fall from historic levels.
2. The company has sufficient business interruption insurance in place which would cover major unforeseen loss such as grid damage causing long term outages.
3. The company itself sells electricity under a long term power purchase agreement with floor prices.
4. The company's preference share payments are paid out only from available funds.

In the severe but plausible downside scenario, management have assumed:

- that the electricity price derived will not fall below contractual floor prices;
- that dividend income the company receives will not fall below 75% of forecast levels;
- that the company's investment, Walney (UK) Offshore Windfarms Limited, generates electricity, that is made available to OPW to purchase at a fixed price, at P50 generation levels.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Classification of Financial Instruments issued by the company

In accordance with FRS 102.22, Financial Instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (a) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

Notes (Continued)**1. Accounting Policies (Continued)****1.4 Basic Financial Instruments***Trade and Other Debtors / Creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing Borrowings Classified as Basic Financial Instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in Associates

These are separate financial statements of the company. Investments in associates are carried at cost less impairment.

1.5 Other Financial Instruments*Financial instruments not Considered to be Basic Financial Instruments*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative Financial Instruments and Hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair Value Hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit or loss (even if those gains would normally be recognised directly in reserves).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Notes (Continued)**1. Accounting Policies (Continued)***Cash Flow Hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in the profit or loss the hedging gain or loss is reclassified to the profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit or loss immediately.

1.6 Impairment Excluding Stocks and Deferred Tax Assets*Financial Assets (including trade and other debtors)*

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Notes (Continued)**1. Accounting Policies (Continued)**

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Turnover

Turnover is the amount derived from the resale of the company's share of electricity generated by Walney (UK) Offshore Windfarms Limited and associated renewable certificates and embedded benefits measured at the fair value of consideration received or receivable net of value added tax.

Turnover (except for the recycled element of the ROC price) is recognised where there is a signed unconditional contract of sale and is based upon the quantity of electricity exported and the contracted rate on the date of generation.

The ROC price invoiced each month includes an estimate of the ROC recycling value which is published by Ofgem in October each year for the preceding RO compliance year ended 31 March. The final ROC recycling value is dependent on a number of factors affecting the UK renewable market, including UK electricity demand, targets set for renewable energy generation and the number of ROCs generated. As the income stream cannot be measured reliably until Ofgem publish the ROC recycling fund value, the Company defers any amounts invoiced for ROC recycling income until notification of the final values has been published. A reconciliation is performed annually to ensure the actual amount invoiced for the compliance year is in accordance with the amount published by Ofgem.

1.8 Expenses*Interest Receivable and Interest Payable*

Interest income and interest payable, including finance charges on shares treated as liabilities, are recognised in profit or loss as they accrue, using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

1.9 Dividend income

Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes (Continued)**1. Accounting Policies (Continued)**

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Turnover

	2020	2019
	£000	£000
Sale of goods	49,519	48,451
Total turnover	49,519	48,451
By Activity		
Electricity and associated benefits sold	49,519	48,451
By Geographical market		
United Kingdom	-	-
Rest of the European Union	49,519	48,451
	49,519	48,451

3. Expenses and Auditors' remuneration*Auditors' remuneration*

	2020	2019
	£000	£000
Audit of these financial statements	30	28

4. Staff numbers

The company has no employees (2019: Nil).

5. Directors' remuneration

Amounts paid to third parties in respect of directors' services amounted to £15,136 during the year (2019: £7,000).

Notes (Continued)

6. Income from participating interest

	2020	2019
	£000	£000
Dividend income from associates	<u>16,141</u>	<u>17,112</u>
	<u>16,141</u>	<u>17,112</u>

7. Other interest receivable and similar income

	2020	2019
	£000	£000
Interest receivable	<u>13</u>	<u>33</u>
	<u>13</u>	<u>33</u>

8. Interest payable and similar charges

	2020	2019
	£000	£000
Net loss on financial assets measured at fair value through profit or loss	3,158	2,509
Interest payable on financial liabilities at amortised cost	<u>14,366</u>	<u>15,497</u>
	<u>17,524</u>	<u>18,006</u>

Interest payable and similar charges includes interest payable and similar charges on bank loans and overdrafts of £5,118,000 (2019: £6,249,000) and on all other loans of £9,248,000 (2019: £9,248,000). Of the above amount £9,248,000 (2019: £9,248,000) was payable to group undertakings.

9. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2020	2019
	£000	£000
Current tax		
Current tax on income for the period	1,725	1,800
Adjustments in respect of prior periods	<u>(148)</u>	<u>(15)</u>
Total tax	<u>1,577</u>	<u>1,785</u>

Notes (Continued)

9. Taxation (Continued)

	2020			2019		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	1,577	-	1,577	1,785	-	1,785
Total Tax	1,577	-	1,577	1,785	-	1,785

Analysis of Current tax recognised in profit and loss

	2020 £000	2019 £000
UK Corporation tax	1,577	1,785
Total Current tax recognised in profit and loss	1,577	1,785

Reconciliation of effective tax rate

	2020 £000	2019 £000
Loss for the year	(14,570)	(12,526)
Total tax expense	1,577	1,785
Loss excluding taxation	(12,993)	(10,741)
Tax using the average UK corporation tax rate of 19% (2019: 19%)	2,469	2,041
Non-deductible expenses	2,113	2,674
Deferred tax not recognised – Corporate Interest Restriction	210	336
Tax exempt revenue	(3,067)	(3,251)
Adjustments in respect of prior periods	(148)	(15)
Total tax expense included in profit or loss	1,577	1,785

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. Deferred tax assets and liabilities at 31 December 2020 have been calculated at 19% (2019: 17%). Please see note 23 for subsequent events.

Notes (Continued)

10. Fixed Asset Investment

	Participating Interests	
	2020	2019
	£000	£000
Cost		
At beginning of year	282,274	282,274
Proceeds on disposal	(6,500)	-
At end of year	275,774	282,274
Impairment provision		
At 1 January 2020	29,452	6,239
Charge for the year	26,385	23,213
At 31 December 2020	55,837	29,452
Net book value		
At 1 January 2020	252,822	276,035
At 31 December 2020	219,937	252,822

The company has determined the recoverable amount of the investment in line with FRS 102 Section 27 by determining the Value in Use of the investment which is the discounted net present value of the future cashflows expected to be generated by the investment and noted that the carrying amount exceeds the Value in Use by £26.4m. Therefore, the provision for impairment has been increased to reflect this. The cashflows have been discounted using a discount rate of 6.5%.

The company has the following investments in associates:

	Country of incorporation	Class of shares held	Number of shares held		Percentage of ownership	
			2020	2019	2020	2019
Walney (UK) Offshore Windfarms Ltd	UK	£1 Ordinary	7,440	6,944	24.8%	24.8%

	Aggregate of capital and reserves		Profit for the year	
	2020	2019	2020	2019
	£000	£000	£000	£000
Walney (UK) Offshore Windfarms Ltd	464,407	522,879	6,621	11,766

On 20 December 2010, OPW Holdco Limited (OPWH) entered into a Sale and Purchase Agreement (SPA) with Orsted Power (UK) Limited (formerly Dong Energy Power (UK) Limited) for the purchase of 24.8% of the ordinary shares of Walney (UK) Offshore Windfarms Limited. On the same day OPWH and Orsted Power (UK) Limited (formerly Dong Energy Power (UK) Limited) entered into a Bilateral Shareholders' Agreement (SHA) to govern certain matters with respect to their shareholdings.

Notes (Continued)

11. Debtors: Amounts falling due within one year

	2020	2019
	£000	£000
Trade debtors	2,484	2,229
Amounts owed by group undertakings	172	172
Other debtors	4	12
Prepayments and accrued income	15,205	15,177
	17,865	17,590

12. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Bank loans (see note 14)	14,444	13,543
Trade creditors	21	61
Amount owed to participating interests	2,827	2,766
Accruals and deferred income	1,973	2,453
Interest payable	-	2,331
Corporation tax	792	505
	20,057	21,659

The interest payable relates to the arrears of fixed cumulative dividends in respect of the company's shares classified as debt.

13. Creditors: Amounts falling due after more than one year

	2020	2019
	£000	£000
Shares classified as debt (see note 14)	77,065	77,065
Bank loans (see note 14)	121,499	136,111
Other financial liabilities (see note 15)	6,224	3,066
	204,788	216,242

Notes (Continued)**14. Interest-bearing loans and borrowing**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2020	2019
	£000	£000
Creditors falling due within one year		
Bank loans	<u>14,444</u>	<u>13,543</u>
Creditors falling due between one and two years		
Bank loans	<u>13,991</u>	<u>14,491</u>
Creditors falling due between two and five years		
Bank loans	<u>45,210</u>	<u>43,372</u>
Creditors falling due after five years		
Bank loans	62,300	78,248
Shares classified as debt	<u>77,065</u>	<u>77,065</u>
	<u>139,365</u>	<u>155,313</u>

Included within bank loans are amounts repayable after five years by instalments and otherwise than by instalments of £62,300,000 (2019: £78,248,000) and £nil (2019: £nil) respectively.

Included within shares classified as debt are amounts repayable after five years by instalments and otherwise than by instalments of £nil (2019: £nil) and £77,065,000 (2019: £77,065,000) respectively.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020	2019
					£000	£000
Bank Loans	£	LIBOR +2.2%	2028	Biannual Instalments	135,943	149,654
Shares classified as debt	£	12%	None	None	77,065	77,065
					<u>213,008</u>	<u>226,719</u>

The bank loans are secured by fixed and floating charge over the company's assets (see note 19).

15. Other financial liabilities

	2020	2019
	£000	£000
Amounts falling due after one year		
Derivatives - measured at fair value through profit or loss	<u>6,224</u>	<u>3,066</u>
	<u>6,224</u>	<u>3,066</u>

Notes (Continued)**16. Deferred tax assets and liabilities**

The company has an unrecognised gross corporate interest restriction of £4,748,339 (2019: £3,829,412).

17. Capital and reserves**Share capital**

	2020	2019
	£000	£000
Issued, allotted, called up and fully paid		
15,412,987 ordinary shares of £1 each	15,413	15,413
77,064,925 12% cumulative redeemable preference shares of £1 each	77,065	77,065
	92,478	92,478
	2020	2019
	£000	£000
Shares classified as liabilities	77,065	77,065
Shares classified in shareholders' funds	15,413	15,413
	92,478	92,478

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

The preference shares are redeemable at the option of the company with the agreement of the shareholders. The premium on redemption is £nil. The holders of preference shares are entitled to receive cumulative dividends and are not entitled to vote at meetings of the company.

A dividend of £8,500,000 was paid on the ordinary share capital during the year (2019: £nil).

Orsted Power (UK) Limited (formerly Dong Energy Power (UK) Limited) and OPW Topco Limited entered in to a call option on 20 December 2010 which grants Orsted Power (UK) Limited the right to purchase, at a prescribed price the OPW Holdco Limited preference shares held by PGGM, the OPW Midco Limited shares held by OPW Topco Limited and the PGGM shareholder loan to OPW Midco Limited in a six month period commencing 9 April 2031. No value has been assigned to the option in the financial statements.

18. Financial instruments**18. (a) Carrying amount of financial instruments**

The carrying amounts of the financial assets and liabilities include:

	2020	2019
	£000	£000
Assets measured at amortised cost	17,865	17,590
Assets measured at cost less impairment	219,937	252,822
Liabilities measured at fair value through profit or loss	6,224	3,066
Liabilities measured at amortised cost	218,621	234,835

Notes (Continued)

18. (b) Financial instruments measured at fair value*Derivative financial instruments*

The fair value of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rates curves.

18. (c) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2020	2019
	£000	£000
Liabilities measured at fair value through profit or loss	<u>6,224</u>	<u>3,066</u>

The financial liabilities measured at fair value through profit or loss are interest rate swap instruments which contract the company to make fixed interest payments at an average rate of 1.349% (2019: 1.349%) and receive floating interest LIBOR based receipts. They cover £108,742,000 (2019: £119,722,000) of the lender consortium bank loan borrowings and have December 2028 (2019: December 2028) maturity dates.

19. Contingencies

On 17 February 2011 OPW Holdco entered into a debenture in favour of Orsted Power (UK) Limited (formerly Dong Energy Power (UK) Limited) as Security Trustee. The debenture created a fixed and floating charge over the company's assets as security for borrowings and liabilities pursuant to various shareholder and supplementary agreements entered into on 20 December 2010 when OPW Holdco Limited purchased its shares in Walney (UK) Offshore Windfarms Limited. The debenture was assigned to Santander Bank PLC as Security Trustee on 15 December 2016 as part of the company's refinancing.

OPW Holdco Limited has a contingent liability arising from an obligation to financially support its associate, Walney (UK) Offshore Windfarms Limited. This obligation derives from the Joint Shareholder Agreement dated 20 December 2010 as amended and restated on 18 December 2012, whereby the shareholders of WOWL each commit to support WOWL with funding pro-rata to their shareholding if WOWL does not have sufficient cash resources to meet its financial commitments itself. This obligation is contained in the shareholder agreement and therefore remains in place as long as OPW Holdco Limited is a shareholder of WOWL.

The Joint Shareholders' Agreement between the shareholders of Walney (UK) Offshore Windfarms Limited provides that certain bilateral settlements between individual shareholders, arising under the Bilateral Shareholders' Agreements, can be recovered via the WOWL distribution process and the allotment of shares in WOWL pursuant to that process. The allotment premium paid for WOWL shares may therefore differ between the shareholders, depending on the settlement of bilateral shareholder obligations that have been factored into the distributions from time to time.

Notes (Continued)

20. Related parties

Identity of Related Parties with which the Company has transacted

During the period, the company transacted with Walney (UK) Offshore Windfarms Limited, the company's associate undertaking, Ampere Project Holdings 6 B V, which owned 40% of the Ordinary share capital of OPW Holdco Limited until 16 July 2019, and Stichting Depositary PGGM Infrastructure Funds, the company's ultimate controlling party.

Other related parties' transactions

	Preference dividends payable		Electricity purchases	
	2020	2019	2020	2019
	£000	£000	£000	£000
OPW Midco Limited	5,549	5,549	-	-
Stichting Depositary PGGM Infrastructure Funds	3,699	3,699	-	-
Walney (UK) Offshore Windfarms Ltd	-	-	33,569	34,197
	<u>9,248</u>	<u>9,248</u>	<u>33,569</u>	<u>34,197</u>

	Debtors outstanding		Creditors outstanding	
	2020	2019	2020	2019
	£000	£000	£000	£000
OPW Topco Limited	91	91	-	-
OPW Midco Limited	81	81	46,239	47,638
Stichting Depositary PGGM Infrastructure Funds	-	-	30,826	31,758
Walney (UK) Offshore Windfarms Ltd	-	-	2,827	2,766
	<u>172</u>	<u>172</u>	<u>79,892</u>	<u>82,162</u>

In June 2020, the group acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £789,190 to offset against dividends receivable as prescribed by the shareholder agreement.

In December 2020, the group acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £770,063 to offset against dividends receivable as prescribed by the shareholder agreement.

In June 2019, the group acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £783,913 to offset against dividends receivable as prescribed by the shareholder agreement.

In December 2019, the group acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £771,831 to offset against dividends receivable as prescribed by the shareholder agreement.

Included within the creditors balance above are preference shares owned by Stichting Depositary PGGM Infrastructure Funds of £30,826,000 (2019 - £30,826,000) and OPW Midco Limited of £46,239,000 (2019 - £46,239,000).

Notes (Continued)**21. Ultimate parent company and parent company of larger group**

The company is a subsidiary undertaking of OPW Midco Limited. The parent company is Stichting Depositary PGGM Infrastructure Funds, the title holder of ultimate controlling party via PGGM Infrastructure Fund, a Dutch mutual fund for joint account ("fonds voor gemene rekening") established under Dutch law, with control and asset management activities being directed by PGGM Vermogensbeheer B.V. The business address is Noordweg Noord 150, 3704 JG Zeist, The Netherlands.

The largest group in which the results of the company are consolidated is that headed by OPW Topco Limited, incorporated in the United Kingdom. No other group financial statements include the results of the company. The consolidated financial statements of OPW Topco Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Registered Office of OPW Topco Limited is Unit 2A, Century Mews, 100A Church Road, Tiptree, Essex, CO5 0AB.

22. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting estimates will by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Critical accounting estimates*Impairment*

In assessing impairment, judgement is required to establish whether there have been any indicators of impairment, either internal or external for all non-current assets.

The directors used discounted cash flow forecasts in order to estimate the underlying value of its investment in Walney (UK) Offshore Windfarms Limited for the purposes of assessing whether the asset is impaired. The value is based on cashflows which are prepared using assumptions for future generation, power prices and costs which are then discounted using a discount rate of 6.5% (2019: 7%). A 0.5% reduction in the discount rate would decrease the 2020 impairment provision by £5.1m and a 0.5% increase in the discount rate would increase the provision by £4.9m.

b) Significant accounting judgement

The company does not make any significant accounting judgements when preparing the financial statements.

23. Subsequent Events

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the unrecognised deferred tax asset would have increased by £291k.

This is a post-balance sheet non-adjusting event.