Company registration number 03848988

DONG Energy London Array Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2010



DONG Energy London Array Limited

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DONG Energy London Array Limited

Company Information

Directors	Mr J Bonefeld Mr J U L Madsen Mr L T Pedersen
Registered office	15 Appold Street London EC2A 2HB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Kingsway Cardiff CF10 3PW

DONG Energy London Array Limited

Directors' Report

for the Year Ended 31 December 2010

The directors present their annual report and the audited financial statements of DONG Energy London Array Limited for the year ended 31 December 2010

Principal activity
The principal activity of the company is to develop, build and operate a multi-hundred megawatt, phased installation, offshore wind farm situated in the Thames Estuary in conjunction with a number of other parties

On 12 May 2009, the company, together with its joint venture parties, took the final investment decision to go ahead and construct the first stage of the London Array offshore wind farm consisting of 175 turbines with a total capacity of 630MW which is anticipated to start generating power in 2012, at which stage it is likely to be the world's largest offshore wind farm

Dividends
The directors do not recommend a payment of a final dividend (2009 £nil)

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

Mr J Bonefeld

Mr J U L Madsen

Mr L T Pedersen

Mr P Gedbjerg (appointed 10 January 2011 and resigned 7 February 2011)

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Statement of disclosure of information to auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware

Independent auditors
During the year, KPMG resigned as auditors of the company and the directors have appointed PricewaterhouseCoopers LLP as auditors to the company in accordance with section 485 of the Companies Act 2006 A resolution proposing that they be re-appointed will be put at a General Meeting

Small company provisions
This report has been prepared in accordance with special provisions relating to small companies within part 15 of the the Companies Act 2006

Approved by the Board on 30-6-2011 and signed on its behalf by

Mr L T Pedersen
Director

Independent Auditors' Report

to the Members of DONG Energy London Array Limited

We have audited the financial statements of DONG Energy London Array Limited for the year ended 31 December 2010, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as applicable to financial statements prepared in accordance with the small companies regime of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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, or
- the directors were not entitled to prepare the financial statements in accordance with the small company regime and take advantage of the small companies' exemption in preparing the Directors' Report

K E Finn

Katharine Finn (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Cardiff

Date 13 July 2011

DONG Energy London Array Limited
Profit and Loss Account
for the Year Ended 31 December 2010

	Note	2010 £	2009 £
Administrative expenses		(208,942)	(1,127,325)
Other operating income		-	90,812
Operating loss	2	(208,942)	(1,036,513)
Interest receivable and similar income	4	1,822,781	2,554,552
Interest payable and similar charges	5	(921,568)	(1,947,195)
Profit/(loss) on ordinary activities before taxation		692,271	(429,156)
Tax on profit or loss on ordinary activities	6	(194,927)	3,021,703
Profit for the financial year		497,344	2,592,547

All activities relate to continuing operations

The notes on pages 9 to 19 form a part of these financial statements

DONG Energy London Array Limited

Statement of Total Recognised Gains and Losses

for the Year Ended 31 December 2010

	Note	2010 £	2009 £
Profit for the financial year		497,344	2,592,547
Value adjustment for hedging transactions		(18,934,135)	5,131,286
Total recognised gains and losses relating to the year		(18,436,791)	7,723,833

DONG Energy London Array Limited

Balance Sheet

as at 31 December 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	7	128,203,194	46,859,427
Investments	8	100	100
		128,203,294	46,859,527
Current assets			
Debtors amounts falling due within one year	9	10,107,385	9,761,740
Debtors amounts falling due after one year	9	2,826,776	3,021,703
Cash at bank and in hand		20,736,135	158,724,442
		33,670,296	171,507,885
Creditors Amounts falling due within one year	10	(32,961,997)	(1,472,443)
Net current assets		708,299	170,035,442
Total assets less current liabilities		128,911,593	216,894,969
Creditors Amounts falling due after more than one year	11	-	(69,546,585)
Net assets		128,911,593	147,348,384
Capital and reserves			
Called up share capital	12	40,000,040	40,000,040
Share premium account	13	111,167,980	111,167,980
Hedging reserve	13	(13,802,849)	5,131,286
Profit and loss account	13	(8,453,578)	(8,950,922)
Total shareholders' funds		128,911,593	147,348,384

The financial statements have been prepared in accordance with the small companies regime of the Companies Act 2006

Approved by the Board on 30-6-2011 and signed on its behalf by

Mr L T Pedersen
Director

(Company registration number: 03848988)

The notes on pages 9 to 19 form a part of these financial statements

1 Accounting policies

Basis of preparation
The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and liabilities (ie derivative instruments used for cash flow hedges) at fair value through equity where effective, and in accordance with applicable United Kingdom accounting standards The principal accounting policies adopted, which have been applied consistently throughout the current financial period and prior financial period, are described below

The Company is exempt under the terms of Financial Reporting Standard No 8 "Related Party Disclosures" from disclosure of transactions with other wholly owned companies in the DONG Energy A/S Group

The DONG Energy A/S consolidated financial statements for the year ended 31 December 2010 contain financial instruments disclosures which comply with FRS 29 (IFRS 7) 'Financial Instruments Disclosures' Consequently, the Company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures within its own financial statements

Exemption from preparing a cash flow statement
The company is a wholly owned subsidiary of a group headed by DONG Energy A/S, and is included in the consolidated financial statements of that company, which are publicly available Consequently the company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement

Fixed assets and depreciation
Tangible fixed assets are included on the balance sheet at historical cost, less accumulated depreciation and provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition

Capitalisation begins when expenditure for the asset is being incurred and activities that are neceessary to prepare the asset for use are in progress Capitalisation ceases when substantially all the activities necessary to prepare the asset for use are complete Depreciation commences at the point of commercial deployment

Depreciation is provided on all tangible fixed assets, at rates calculated to write-off the cost, lessestimated residual value, of each asset evenly over its expected useful life, as follows

Asset class	Useful economic life
Assets under construction	not depreciated
Fixtures and fittings	10% straight line basis

Research and development
All project costs prior to the Final Investment Decision to construct the London Array wind farm in the Thames Estuary are considered to be development costs and are written off to the profit and loss account Project costs arising subsequent to Final Investment Decision may be capitalised or written off to the profit and loss account as may be considered appropriate

Investments
Investments, including investments in joint arrangements, are stated at cost less provision for impairment

The company's interest in the London Array Unincorporated Joint Arrangement is included within the financial statements in accordance with Financial Reporting Standard No 9 "Associates and Joint Ventures"

The company includes its share of assets, liabilities and cashflows in such joint arrangements, measured under the terms of the arrangement pro rata to the company's share in the arrangement

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

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, have occurred at the balance sheet date

A deferred tax asset is regarded as recoverable and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the 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 the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is measured on a non discounted basis

Foreign currency
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date Exchange gains or losses on translation are included in the profit and loss account as a financial income or expense

Leasing
Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Currency hedging transactions
Derivative financial instruments are used to hedge currency risks and are accounted for in accordance with FRS 26

Derivative financial instruments are recognised on the trade date and measured at fair value Fair value is determined on the basis of market data and recognised valuation methods Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively

Changes in the portion of the fair value of the derivative financial instrument that is designated as and qualifies for recognition as a hedge of future cash flows and that provides an effective hedge against changes in the value of the hedged item are recognised in a hedging reserve under equity

The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows and where the hedged transaction has yet to be realised

2 Operating loss

Operating loss is stated after charging

	2010 £	2009 £
Auditor's remuneration	7,191	7,300
Depreciation of owned assets	30,478	30,478

3 Employees

There were no employees during the year apart from the directors The directors received no emoluments during the year, in respect of their services to the company

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

4 Interest receivable and similar income

	2010 £	2009 £
Bank interest receivable	61,859	16,984
Interest from group undertakings	198,047	-
Exchange gains	1,562,875	2,537,568
	1,822,781	2,554,552

5 Interest payable and similar charges

	2010 £	2009 £
Interest on overdrafts and bank loans	15,867	-
Interest on loans from group undertakings	93,133	91
Exchange losses	812,568	1,947,104
	921,568	1,947,195

6 Taxation

Tax on profit/(loss) on ordinary activities

	2010 £	2009 £
Deferred tax		
Origination and reversal of timing differences	194,927	(106,529)
Deferred tax adjustment relating to previous years	-	(2,915,174)
Total deferred tax	194,927	(3,021,703)

Factors affecting current tax charge for the year

Tax on profit/(loss) on ordinary activities for the year is lower than (2009 - higher than) the standard rate of corporation tax in the UK of 28% (2009 - 28%)

The differences are reconciled below

	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	692,271	(429,156)
Corporation tax at standard rate	193,836	(120,164)
Depreciation in excess of capital allowances	(21,447)	8,534
Tax losses arising in the current period not recognised	-	111,630
Utilisation of tax losses	(172,389)	-
Total current tax	-	-

Factors affecting future tax charges

The company has trading losses of approximately £10,163,155 (2009 £10,778,000) available to carry forward for offset against future trading profits

The UK Government announced on 23 March 2011 that the headline rate of corporation tax will be reduced from 28% by 2% on 1 April 2011 and 1% each year thereafter until it reaches 23% This rate change will affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax asset in the future As at 31 December 2010, only the change to 27% announced on 22 June 2010 has been "substantively enacted" and as such, in accordance with accounting standards, the changes, other than to calculate deferred tax at a rate of 27%, have not been reflected in the company's financial statements for the year ending 31 December 2010 The effect of the proposed changes will be reflected in the company's financial statements for the year ending 31 December 2011 and thereafter once future proposals have been substantively enacted

7 Tangible assets

	Fixtures and fittings £	AUC £	Total £
Cost or valuation			
At 1 January 2010	304,779	46,707,038	47,011,817
Additions	-	81,374,245	81,374,245
At 31 December 2010	304,779	128,081,283	128,386,062
Accumulated depreciation			
At 1 January 2010	152,390	-	152,390
Charge for the year	30,478	-	30,478
At 31 December 2010	182,868	-	182,868
Net book value			
At 31 December 2010	121,911	128,081,283	128,203,194
At 31 December 2009	152,389	46,707,038	46,859,427

8 Investments

	2010 £	2009 £
Shares in group undertakings and participating interests	100	100

Shares in group undertakings and participating interests

	Joint arrange-ments £
Cost	
At 1 January 2010	100
At 31 December 2010	100
Net book value	
At 31 December 2010	100

Details of undertakings

Details of the investments in which the company has a joint arrangement are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Joint arrangements			
London Array Limited	Ordinary shares	33 33%	Wind Farm Operator

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

On 18 July 2008, DONG Energy London Array Limited acquired a 33 33% interest in London Array Limited, a company incorporated in England and Wales which acts as the operator for the London Array Unincorporated Joint Arrangement, the purpose of which is to develop, build and operate a multi-hundred megawatt, phased installation, offshore wind farm situated in the Thames Estuary

The other Joint Arrangement parties are

DONG Energy London Array II Limited
EON Climate & Renewables UK Limited
Masdar Energy UK Limited

9 Debtors

	2010 £	2009 £
Deferred tax	2,826,776	3,021,703
Amounts owed by group undertakings	7,783,329	-
Other debtors	2,324,056	9,761,740
	12,934,161	12,783,443

Amounts falling due after more than one year and included in the debtors above are

	2010 £	2009 £
Deferred tax	2,826,776	3,021,703
	2,826,776	3,021,703

Deferred tax
The movement in the deferred tax asset in the year is as follows

	£
At 1 January 2010	3,021,703
Deferred tax charged to the profit and loss account	(194,927)
At 31 December 2010	2,826,776

Analysis of deferred tax

	2010 £	2009 £
Difference between accumulated depreciation and amortisation and capital allowances	82,724	42,669
Tax losses available	2,744,052	2,979,034
	2,826,776	3,021,703

10 Creditors: Amounts falling due within one year

	2010 £	2009 £
Trade creditors	-	2,518
Amounts owed to group undertakings and participating interests	12,771,867	737,150
Other creditors	20,190,130	732,775
	32,961,997	1,472,443

11 Creditors: Amounts falling due after more than one year

	2010 £	2009 £
Amounts owed to group undertakings and participating interests	-	69,546,585

12 Share capital

Allotted, called up and fully paid shares

	2010		2009	
	No.	£	No	£
Ordinary shares of £0 05 each	800,000,400	40,000,020	800,000,400	40,000,020
'A' Preference shares of £0 025 each	400	10	400	10
'B' Preference shares of £0 025 each	400	10	400	10
	800,001,200	40,000,040	800,001,200	400,000,040

Holders of Ordinary shares have the right to receive notice of, attend and vote at general meetings They do not have any rights to receive dividends or have any entitlement to distributions following liquidation

Currently, all holders of shares carry equal rights, except for on payment of a dividend Any profit which the company may determine to distribute in respect of any financial year shall be applied amongst and paid rateably to the holders of the Preference shares according to the subscription price of the Preference shares held by them respectively

Holders of 'B' preference shares have no rights to receive any dividends or distribution on liquidation prior to B Option Completion Date 'B' preference shares do not participate in the first phase of the wind farm

13 Reserves

	Share premium account £	Hedging reserve £	Profit and loss account £	Total £
At 1 January 2010	111,167,980	5,131,286	(8,950,922)	107,348,344
Profit for the financial year	-	-	497,344	497,344
Hedging movements	-	(18,934,135)	-	(18,934,135)
At 31 December 2010	111,167,980	(13,802,849)	(8,453,578)	88,911,553

14 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	497,344	2,592,547
Other recognised gains and losses relating to the year	(18,934,135)	5,131,286
New share capital allotted	-	151,000,000
Net (reduction)/addition to shareholders' funds	(18,436,791)	158,723,833
Shareholders' funds/(deficit) at 1 January	147,348,384	(11,375,449)
Shareholders' funds at 31 December	128,911,593	147,348,384

15 Contingent liabilities

The company is from time to time a party to or affected by legal proceedings and claims and enters into commitments which are in the ordinary course of business It is not possible to predict with certainty the results of these claims, but the Directors taking into account counter claims, claims against third parties, provisions in the accounts, do not anticipate that the outcome of these proceedings, claims and commitments, either individually or in the aggregate, will have a materially adverse affect upon the company's financial position

16 Commitments

Other commitments

The company has entered into a 50 year lease which termintes on 4 February 2059 The lease is for an area of seabed from where it operates The operating lease rental charged is based upon MWh generation The annual rental payment during construction is £500 Upon commencement of generation, the minimum annual lease payment is £640,640 However the full commitment for the following year cannot be established in advance

17 Related party transactions

Other related party transactions

During the year the company made the following related party transactions

London Array
(London Array is an unincorporated joint arrangement)
Joint arrangement recharges payable during the year were £70,946,332 (2009 £51,677,648)
At the balance sheet date the amount due (to)/from London Array was (£1,038,379) (2009 - £6,429,915)

Masdar
(Masdar are co-investor in the London Array joint arrangement)
Recharge of share of investor legal costs At the balance sheet date the amount due from/(to) Masdar was £214,368 (2009 - £nil)

18 Ultimate parent company and controlling party

The company is controlled by DONG Energy Power A/S and DONG Energy Power (UK) Ltd (formerly DONG Wind (UK) Limited), both of which own 50% of the ordinary share capital

The ultimate holding company is DONG Energy A/S, incorporated in Denmark The Danish State holds 76% of the share capital of DONG Energy A/S and therefore the company considers the Danish Ministry of Finance the ultimate controlling party

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

The consolidated accounts of this company are available to the public from

DONG Energy A/S
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