

Company Registration No. 05893966

HAVEN POWER LIMITED

Annual Report and Financial Statements

Year ended 31 December 2019

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HAVEN POWER LIMITED

Contents

Year ended 31 December 2019

	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	7
Independent auditor's report	11
Profit and loss account	14
Statement of comprehensive income	15
Balance sheet	16
Statement of changes in equity	17
Notes to the financial statements	18

HAVEN POWER LIMITED

Company information

Year ended 31 December 2019

Directors

Will Gardiner

Paul Sheffield

Andy Skelton (appointed 13 June 2019)

Andrew Koss (resigned 7 April 2020)

Carl Goulton (resigned 31 March 2020)

Jonathan Kini (resigned 4 September 2019)

Company Secretary

Brett Gladden (appointed 1 February 2019)

David McCallum (resigned 31 January 2019)

Registered Office

Drax Power Station

Drax

Selby

North Yorkshire

YO8 8PH

Bankers

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Statutory Auditor

Deloitte LLP

2 New Street Square

London

EC4A 3BZ

United Kingdom

Statutory Auditor

HAVEN POWER LIMITED

Strategic report

Year ended 31 December 2019

The Directors present their strategic report for Haven Power Limited (the "Company") for the year ended 31 December 2019.

Principal activities

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.

Results and performance

The results for the Company for the year, as set out on page 14, show a profit after tax of £6.1 million (2018: £3.7 million). The company generated a positive EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), amounting to £9.5 million (2018: £1.1 million); this is after management charges paid to group companies of £4.5 million (2018: £2.1 million) and reflects improvement in underlying trading performance. The net assets of the Company total £28.0 million (2018: £21.9 million).

The B2B (Business-to-business) market remains competitive and saw a number of supplier failures in the year, leading to the mutualisation of certain third-party costs across the remaining supplier base. After the suspension of the Capacity Market in 2018, reinstatement was confirmed in 2019 as expected, and deferred costs paid in full.

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 and improved margin at Haven Power.

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

Having been nominated for Supplier of the year at the 2018 Energy Awards, we were subsequently shortlisted for the 2019 Commercial Building Energy Project of the year.

HAVEN POWER LIMITED

Strategic report (continued)

Year ended 31 December 2019

Key performance indicators

The company delivered net sales volumes of 11.6TWh compared to 13.4TWh in 2018, with revenue of £1,413 million (2018: £1,429 million) at an average price of £121.9 per MWh (2018: £106.8 MWh).

Cost of sales was £1,368 million in 2019 (2018: £1,392 million). 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. Third party costs have continued to increase and now equate to 53% of revenue (2018: 50%).

Gross profit for the year was £44.5 million (2018: £36.9 million), representing a margin of 3.1% (2018: 2.6%).

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.

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 plc.

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 Drax Group plc annual report. Note that climate change has been added as a principal risk this year, consistent with Drax Group plc.

Future prospects

We continue to invest in operational efficiencies to support growth as well as meeting the changing requirements of our B2B customers via the development of propositions and beyond commodity energy services including the provision of electric vehicle solutions, demand side response and energy trading.

Going concern

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.

Further details regarding the adoption of the going concern basis, including the impact of COVID-19, can be found in the Directors' report.

HAVEN POWER LIMITED

Strategic report (continued)

Year ended 31 December 2019

Companies Act, Section 172 statement

Understanding the needs of our various stakeholders is essential to our long-term success. We recognise that to achieve our purpose we need to listen to, and work with, a diverse range of interested parties. The Company, and the Drax Group plc group of companies, has a wide range of stakeholders and takes care to ensure that there is an effective strategy to identify and engage with stakeholders.

The Board takes care to develop a strategy that will create long-term value for the Company and for its stakeholders. In supporting the Board's duty to promote the success of the Company, management discussions include information on stakeholders likely to be affected by items under discussion and the potential impact on them. There are formal and robust processes in place to ensure the data provided to management is reliable. A comprehensive list of stakeholders identified across the Drax Group, and how we engage with them and have regard to their interests, can be found in the Drax Group plc annual report. Examples of some of the Company's key stakeholders include:

Workforce

Engaging with the workforce is important as we want to create an engaging environment where our employees can thrive. We maintain regular dialogue with our workforce through our Customers' Workforce Engagement ("My Voice") Forums and annual engagement survey, and weekly updates and Q&A from the Drax Group CEO.

The Customers MyVoice forums are made up of members nominated by colleagues from the Customers business unit and meet quarterly to discuss matters raised by colleagues, by the Board and by the Drax Group plc Board. The Managing Director of Customers attended meetings that took place in 2019. The Customers' My Voice Forum Chairs also met quarterly with the Drax Group CEO and Chair to further discuss topics raised at the Customers' forums. Matters discussed during 2019 include how effectively communication filters down from senior leadership to the wider business; living our values; and wellbeing, including a greater focus on mental wellbeing. In response to employee feedback, plans have been developed to address wellbeing across the Drax Group, including mental wellbeing, which were shared with the MyVoice forums to seek their input before rolling out a wellbeing programme in 2020.

Our dialogue with employees includes regular communication about the Company's, and the Drax Group's, strategy, plans and performance. During 2019, 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 2019, nearly half of all UK employees across the Drax 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.

HAVEN POWER LIMITED

Strategic report (continued)

Year ended 31 December 2019

Strategic suppliers

There are suppliers who deliver goods and services that are essential to the long-term strategic success of the Company. Strong relationships with suppliers and contractors allow us to promote high standards and ensure realistic expectations on project delivery. Collaboration with strategic partners ensures that metering equipment is maintained so we can accurately bill customers and provide payment plans to those who are struggling to pay their bills.

Our relationships with smaller suppliers are also important. Understanding their needs informs our prompt payment policy. Engagement also allows us to set out our expected high standards of conduct.

Regulators

We regularly engage with Ofgem, BEIS and other statutory bodies, which helps us to understand and be prepared for upcoming policy developments and industry change, and also gain insights from them regarding best practice.

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 Drax Group. Drax Group plc engages with its shareholders and investors through a wide range of channels, including our website, AGM, full year and half year results, a Capital Markets Day, an ongoing programme of investor relations meetings and engagement by the Chair of the Remuneration Committee. This engagement allows the Board to understand their concerns and priorities and take these into account in decision making.

Community and the environment

Our purpose is to enable a zero carbon, lower cost energy future, and we seek to achieve a positive long-term economic, social and environmental impact. We support the UN's Sustainable Development Goals and we're proud to supply renewable energy in the global energy mix.

We regularly engage with the local community by supporting local initiatives and hosting drop-in sessions to help understand the needs of the local community and the impact that our business has on them. To read more about our positive social impact across the Drax Group, see pages 45 to 48 the 2019 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 or other unethical business conduct.

Our compliance framework is set out in the Drax ethics handbook, Doing the right thing. The handbook identifies the behaviours expected from our employees and contractors on topics including human rights, ethical business conduct and integrity. Our policies and procedures provide further guidance and instruction, in line with best industry practice. These include our Corporate Crime policy and Gifts and Hospitality, Conflicts of Interest and Due Diligence procedures.

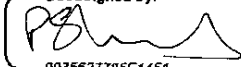
HAVEN POWER LIMITED

Strategic report (continued)

Year ended 31 December 2019

Approval

Approved by the Board of Directors and signed on behalf of the Board,

DocuSigned by:

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Paul Sheffield

Director

29 July 2020

HAVEN POWER LIMITED

Directors' report

Year ended 31 December 2019

The directors present their annual report, together with the audited financial statements of Haven Power Limited for the year ended 31 December 2019.

The results and performance, key performance indicators and future developments of the company have been disclosed in the Strategic report on pages 2 to 6.

Dividends

No dividend has been paid or is proposed for the year to 31 December 2019 (2018: £nil).

Directors

The Directors of the Company, who served during the year and to the date of this report unless otherwise state, are as follows:

Will Gardiner

Paul Sheffield

Andy Skelton (appointed 13 June 2019)

Andrew Koss (resigned 7 April 2020)

Carl Goulton (resigned 31 March 2020)

Jonathan Kini (resigned 4 September 2019)

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 plc.

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. The facility terms were amended during the year, bringing more of the receivables balance into the scope of the facility, further improving our overall cash-flow.

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 receivables and accrued income. The amounts presented in the balance sheet are shown net of allowances for doubtful receivables. 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 2019

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.

Directors' responsibilities statement

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.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

HAVEN POWER LIMITED

Directors' report (continued)

Year ended 31 December 2019

Going concern and post balance sheet events

Subsequent to the balance sheet date, COVID-19 has spread globally causing worldwide disruption to businesses and economic activity. The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. Currently, the Company's employees are working from home, following the guidance of the UK government. Whilst the situation remains unpredictable and continues to evolve, the *consequences of the pandemic are starting to become visible. The Company has experienced a decline in demand for power due to businesses shutting down in line with Government guidelines and workforces working from home. The Company also anticipates an increase in bad debt charges where businesses are forced into financial difficulty or closure as a result of reduced economic activity.*

The Company and the wider Drax Group have considered a wide range of potential scenarios and assessed the likely impact of each upon the Group's financial resilience, in terms of liquidity and debt covenants. In each case, both plausible and extreme, after considering the availability of potential mitigating actions, the likelihood of headroom being exhausted was considered remote. Taking this into account and noting the receipt of written confirmation of Group support, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Given the nature of the pandemic there remains significant uncertainty in relation to the extent and period over which these circumstances will continue and there remains a risk that the impact of COVID-19 is greater than that modelled by the Group.

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.

Indemnity insurance

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

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.

HAVEN POWER LIMITED

Directors' report (continued)

Year ended 31 December 2019

Auditor

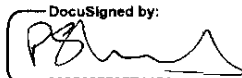
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

A resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board,

DocuSigned by:

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Paul Sheffield

Director

29 July 2020

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

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 2019 and of its profit 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 profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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.

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

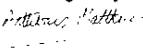
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

DocuSigned by:

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

Date: 29 July 2020

HAVEN POWER LIMITED**Profit and loss account****Year ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Turnover	1	1,412,954	1,429,009
Cost of sales		(1,368,448)	(1,392,090)
Gross profit		<u>44,506</u>	<u>36,919</u>
Administrative expenses		(38,400)	(38,585)
Operating profit/(loss)	5	<u>6,106</u>	<u>(1,666)</u>
Finance income	6	1,292	3,402
Profit before taxation		<u>7,398</u>	<u>1,736</u>
Tax	7	(1,339)	1,999
Profit for the financial year attributable to the equity shareholders of the company		<u><u>6,059</u></u>	<u><u>3,735</u></u>

The accompanying notes 1 to 20 are an integral part of these financial statements.

All results derive from continuing operations.

HAVEN POWER LIMITED

Statement of comprehensive income

Year ended 31 December 2019

	2019	2018
	£'000	£'000
Profit for the financial year	6,059	3,735
Total comprehensive income attributable to the equity shareholders of the company	6,059	3,735

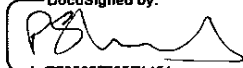
HAVEN POWER LIMITED**Balance sheet****As at 31 December 2019**

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	8	34,564	30,428
Current assets			
Debtors due within one year	9	392,431	391,091
Cash at bank and in hand		6,706	4,189
		399,137	395,280
Creditors: amounts falling due within one year	10	(400,383)	(396,969)
Net current liabilities		(1,246)	(1,689)
Total assets less current liabilities		33,318	28,739
Creditors: amounts falling due after more than one year	11	(5,337)	(6,853)
Net assets		27,981	21,886
Capital and reserves			
Called up share capital	13	-	-
Share premium account	14	11,960	11,960
Profit and loss account	14	16,021	9,926
Shareholder's funds		27,981	21,886

The accompanying notes 1 to 20 are an integral part of these financial statements.

These financial statements of Haven Power Limited, registered number 05893966, were approved by the Board of Directors and authorised for issue on 29 July 2020.

Signed on behalf of the Board of directors

DocuSigned by:

 Paul Sheffield

Director

HAVEN POWER LIMITED**Statement of changes in equity****Year ended 31 December 2019**

	Share premium account £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 1 January 2018	11,960	5,882	17,842
Share based payments (see note 4)	-	309	309
Profit for the financial year and total comprehensive income	-	3,735	3,735
At 31 December 2018	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

HAVEN POWER LIMITED

Notes to the financial statements

Year ended 31 December 2019

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, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Haven Power Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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 and post balance sheet events

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.

Further details regarding the adoption of the going concern basis, including the impact of COVID-19, can be found in the Directors' report.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

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.

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 and foreign 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.

Unrelieved tax losses and other deferred tax assets are 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.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

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 receivables 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.

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.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

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.

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.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

Financial instruments (continued)

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.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to certain third-party costs. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Hedge accounting is not applied.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

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

Revenue recognition

Revenue (including both billed and unbilled amounts) is recognised when the supply of electricity has taken place, as per note 1. The transfer of risks and rewards of ownership is at the point of supply. The supply of electricity is a commodity which is not subject to variations in quality or performance and accordingly no guarantee or warranty is offered.

Revenue includes an element of estimation regarding the volume of electricity supplied between the last meter reading and the year end, at an estimated average price per unit. Assumptions that underpin these estimates are applied consistently and comparison of past estimates to final settlements suggests a high degree of accuracy. However, actual outcomes may vary from initial estimates.

Key sources of estimation uncertainty

Management have considered whether there are any key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and note that there are no such estimates within these financial statements.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

3. Information regarding directors and employees

	2019 £'000	2018 £'000
Directors' remuneration		
Emoluments	431	1,033
Pension contributions	52	39
Share-based payments	7	144
	<u>490</u>	<u>1,216</u>

	Number	Number
The number of directors who are members of a money purchase pension scheme	3	3
The number of directors who exercised share options	1	-

	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	193	458
Pension	19	10

	Number	Number
Average number of persons employed		
Sales, Marketing and Operations	271	288
Administration	153	150
	<u>424</u>	<u>438</u>

	2019 £'000	2018 £'000
Staff costs during the financial period (including directors)		
Wages and salaries	14,294	13,372
Social security costs	1,687	1,502
Pension costs	882	538
Share-based payments	40	309

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

<u>16,903</u>	<u>15,721</u>
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HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

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") provides long term incentives to executive directors and senior managers (replacing the Bonus Matching Plan (BMP) from 2017). The Deferred Share Plan (DSP), introduced in 2018, is an additional incentive scheme for directors.

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

	2019 £'000	2018 £'000
SAYE	100	127
BMP	-	56
PSP	(105)	126
DSP	45	-
	<u>40</u>	<u>309</u>

Included within the charge above is £4,000 (2018: £nil) 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 £36,000 (2018: £309,000).

Additional information in relation to the share-based incentive plans is included in the Remuneration Committee report in the Drax Group plc Annual report and accounts 2019.

5. Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging:		
Depreciation of owned assets	3,397	2,753
Impairment loss on debtors	2,079	5,023
Operating lease rentals - land and buildings	348	471
Operating lease rentals - other	66	162
	<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>108</u>	<u>86</u>

HAVEN POWER LIMITED**Notes to the financial statements (continued)****Year ended 31 December 2019****6. Finance income**

	2019	2018
	£'000	£'000
Other interest receivable	2	-
Fair value movement on derivatives	-	2,376
Interest receivable on amounts owed by group undertakings	1,290	1,026
	<u>1,292</u>	<u>3,402</u>

7. Tax

	2019	2018
	£'000	£'000
Current taxation		
Current year	336	(807)
Amounts in respect of prior periods	56	(251)
	<u>392</u>	<u>(1,058)</u>
Deferred taxation		
Current year	1,016	(1,030)
Amounts in respect of prior periods	(69)	89
	<u>947</u>	<u>(941)</u>
Total taxation	<u>1,339</u>	<u>(1,999)</u>

HAVEN POWER LIMITED**Notes to the financial statements (continued)****Year ended 31 December 2019****7. Tax (continued)**

The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019	2018
	£'000	£'000
Profit before tax	<u>7,398</u>	<u>1,736</u>
Tax credit on profit on ordinary activities before tax at 19.00% (2018: 19.00%)	1,406	330
Effects of:		
Expenses not deductible for tax purposes	39	79
Recognition of prior year losses	-	(2,007)
Impact of rate change	(93)	(131)
Other tax adjustments	-	(108)
Adjustment in respect of prior periods (group relief)	56	(251)
Adjustment in respect of prior periods (deferred tax)	(69)	89
Tax charge/(credit) for the financial year	<u>1,339</u>	<u>(1,999)</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the reporting date being 19% effective from 1 April 2017 and 17% effective from 1 April 2020. To the extent they are recognised, the closing deferred tax balances are calculated at 17%. 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%. The deferred tax balances will be remeasured at the next reporting date when this announcement has been substantively enacted.

HAVEN POWER LIMITED**Notes to the financial statements (continued)****Year ended 31 December 2019****8. Tangible fixed assets**

	IT software £'000	IT hardware £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2019	56,432	2,602	871	59,905
Additions	9,439	48	338	9,825
Transfers between categories	(92)	92	-	-
Transfers to other group companies	(2,292)	-	-	(2,292)
Disposals	-	(264)	(51)	(315)
	<hr/> 63,487	<hr/> 2,478	<hr/> 1,158	<hr/> 67,123
Accumulated depreciation				
At 1 January 2019	26,960	1,848	669	29,477
Charge for the year	2,961	361	75	3,397
On disposals	-	(264)	(51)	(315)
	<hr/> 29,921	<hr/> 1,945	<hr/> 693	<hr/> 32,559
Net book value				
At 31 December 2019	<hr/> 33,566	<hr/> 533	<hr/> 465	<hr/> 34,564
At 31 December 2018	<hr/> 29,472	<hr/> 754	<hr/> 202	<hr/> 30,428

There are no tangible fixed assets held under finance leases.

Included within IT software above is an amount of £19.2 million for a billing system where the Company has stopped development and is in ongoing discussions with the supplier. No amounts have been provided in respect of these assets as the Company believes that the carrying amount will be recovered in full.

HAVEN POWER LIMITED**Notes to the financial statements (continued)****Year ended 31 December 2019****9. Debtors**

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	3,792	17,223
Amounts owed by group undertakings	326,660	290,931
Prepayments and accrued income	56,302	78,469
Other debtors	3,909	2,167
Deferred tax asset (note 12)	1,768	2,301
	<u>392,431</u>	<u>391,091</u>

Prepayments and accrued income includes £46,398,000 (2018: £59,711,000) 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

	2019	2018
	£'000	£'000
Trade creditors	8,960	5,030
Customer deposits and payments in advance	9,591	12,541
Amounts owed to group undertakings	59,609	102,044
Other taxes and social security	23,752	20,232
Other creditors	174	84
Corporation tax	357	-
Accruals and deferred income	297,940	257,038
	<u>400,383</u>	<u>396,969</u>

Accruals and deferred income includes £243,411,000 (2018: £235,162,000) 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 2019****11. Creditors – amounts falling due after more than one year**

	2019	2018
	£'000	£'000
Customer deposits and payments in advance	555	619
Accruals and deferred income	4,782	6,234
	<u>5,337</u>	<u>6,853</u>

12. Deferred taxation

	2019	2018
	£'000	£'000
At the beginning of the year	2,301	1,360
(Charged)/credited to the profit and loss account	(947)	941
Credit from other group companies	414	-
	<u>1,768</u>	<u>2,301</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:

	2019	2018
	£'000	£'000
Accelerated capital allowances	(246)	88
Other timing differences	327	206
Losses	1,687	2,007
	<u>1,768</u>	<u>2,301</u>

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

13. Called up share capital

	Number	£
Called up, allotted and fully paid		
Ordinary shares of £0.01 each		
At 31 December 2019 and 31 December 2018	<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. Reserves

Share premium account

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

Profit and loss account

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

15. Financial commitments

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

	2019 £'000		2018 £'000	
	Land & Buildings	Other	Land & Buildings	Other
Expiry date				
-within one year	396	40	400	17
-between one and five years	1,337	41	1,332	16
-after five years	167	-	527	-
	<u>1,900</u>	<u>81</u>	<u>2,259</u>	<u>33</u>

In addition, the Company had metering commitments amounting to £4,048,000 (2018: £3,219,000).

At 31 December 2019, the Company was contracted to purchase £1,231.7 million of energy (2018: £935.1 million). This purchase commitment is to be covered by electricity sales to customers in the same period.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

16. Contingent liabilities

Guarantees

The Drax Group's financing structure includes £350 million (2018: £350 million) and US \$500 million (2018: US \$300 million) of high-yield, publicly traded bonds on the Luxembourg exchange, and a £350 million (2018: £350 million) Senior Facilities Agreement comprised of a £315 million revolving credit facility (RCF) and an index-linked term loan of £35 million.

On 2 January 2019, the Group drew down £550 million under an acquisition bridge facility.

On 16 May 2019, in addition to the US £300 million loan notes outstanding in 2018, the Drax Group raised a further US \$200 million publicly traded bonds, and subsequently repaid £150 million of the acquisition bridge facility.

On 24 July 2019, the Group successfully concluded the refinancing of the remaining £400 million drawn on the acquisition bridge facility. Two new facilities were agreed: a £375m UK infrastructure private placement with maturities extending out to between 2024-2029 and a £125m environment social & governance or "ESG" facility.

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

- At 31 December 2019 the outstanding secured borrowings amounted to £1,267.5 million (2018: £622.4 million).
- At 31 December 2019, letters of credit issued amounted to £77.0 million (2018: £31.8 million). At 31 December letters of credit issued under the revolving credit facility, held by Drax Corporate limited amounted to £77.0 million (2018: £31.8 million).

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. As at 31 December 2019, this value was £32.7 million (2018: £11.9 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.

17. Pension arrangements

The Company operates a defined contribution scheme which is open to all Company employees. During the period to 31 December 2019, contributions of £882,000 were paid (2018: £538,000). £144,000 worth of pension contributions were outstanding as at 31 December 2019 (2018: £nil).

18. 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.

HAVEN POWER LIMITED

Notes to the financial statements (continued)

Year ended 31 December 2019

19. 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.

The directors regard Drax Group plc to be 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.

20. Capital commitments

At the year end the company had capital commitments amounting to £294,000 (2018: £3,648,000).