Pendine Wind Farm Limited

Directors' report and financial statements

for the year ended 31 December 2011

Registered number: 03292728

Pendine Wind Farm Limited

Annual report and financial statements for the year ended 31 December 2011

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Pendine Wind Farm Limited

Directors and advisers

Directors

P Wesslau
A Dahl
S Sved

Company secretary

RJ Baylis

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Princess Court
23 Princess Street
Plymouth
PL1 2EX

Registered office

Abbey Warehouse
Abbey Slip
Penzance
Cornwall
TR18 4AR

Bankers

Lloyds TSB plc
Bournemouth Direct Business Centre
Taylor's House
12-14 Dean Park Crescent
Bournemouth
Dorset
BH1 1HS

Registered number

03292728

Pendine Wind Farm Limited

Directors' report for the year ended 31 December 2011

The directors submit their report together with the audited financial statements for the year ended 31 December 2011

Principal activities

The company's principal activities are those associated with the development and operation of wind energy projects in the United Kingdom The company is a private limited company, domiciled in the United Kingdom and incorporated in England and Wales The intermediate parent undertaking of the company is Nuon UK Ltd and the ultimate parent undertaking of the company is Vattenfall AB, the Swedish based international utility company

Results and dividends

The results for the year are set out on page 6 The directors do not recommend the payment of a dividend (2010 - £nil)

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued support of an intermediate parent company, Nuon International Renewables Projects BV and the ultimate parent company, Vattenfall AB The directors have received a confirmation that the parent entities intend to support the company for at least one year after these financial statements are signed

Directors

The directors during the year under review are detailed on page 1

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 year 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,

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

Provision of information to auditors

In the case of each of the persons who were directors at the time when this report was approved under section 418, the following applies

a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

b) he 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 auditors are aware of that information

Directors' report for the year ended 31 December 2011 (continued)

This report has been prepared in accordance with the section 415A of the Companies Act 2006 relating to small companies

On behalf of the board

Stefan Sved
Director
15/5/ 2012

Independent auditors report to the members of Pendine Wind Farm Limited

We have audited the financial statements of Pendine Wind Farm Limited for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement 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 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 In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with 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

Pendine Wind Farm Limited

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 take advantage of the small companies' exemption in preparing the Directors' Report

Eugene McCann (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth
18 June 2012

Pendine Wind Farm Limited

Statement of Comprehensive Income for the year ended 31 December 2011

	Note	2011 £	2010 £
Continuing operations			
Revenue		**1,397,866**	1,016,760
Cost of sales		**(693,530)**	(597,463)
Gross profit		**704,336**	419,297
Administrative expenses		**(60,730)**	(62,884)
Operating profit	2	**643,606**	356,413
Finance costs	3	**(425,489)**	(401,679)
Profit/(loss) before tax		**218,117**	(45,266)
Tax receipt/(expense)	4	**29,631**	(78,893)
Profit/(loss) for the financial year attributable to the owners of the company	11	**247,748**	(124,159)
Other comprehensive income			
Currency translation differences		-	-
Total comprehensive income/(expense) for the year		**247,748**	(124,159)

The notes on pages 10 to 19 form an integral part of the financial statements

Pendine Wind Farm Limited

Statement of Changes in Equity for the year ended 31 December 2011

	Note	Ordinary shares 2011 £	Accumulated deficit 2011 £	Total equity 2011 £
At 1 January		1,100,002	(307,415)	792,587
Total Comprehensive income	11	-	247,748	247,748
At 31 December	9,11	**1,100,002**	**(59,667)**	**1,040,335**

	Ordinary shares 2010 £	Accumulated deficit 2010 £	Total equity 2010 £
At 1 January	1,100,002	(183,256)	916,746
Total Comprehensive expense	-	(124,159)	(124,159)
At 31 December	1,100,002	(307,415)	792,587

The notes on pages 10 to 19 form an integral part of the financial statements

Pendine Wind Farm Limited

Statement of Financial Position at 31 December 2011

	Note	2011 £	2010 £
Assets			
Non-current assets			
Property, plant and equipment	5	**6,944,360**	7,320,829
		6,944,360	7,320,829
Current assets			
Trade and other receivables	6	**798,732**	695,300
Current tax receivables	4	**29,631**	-
Cash and cash equivalents	13	**155,871**	343,422
		984,234	1,038,722
Total assets		**7,928,594**	8,359,551
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	9	**1,100,002**	1,100,002
Accumulated deficit	11	**(59,667)**	(307,415)
Total equity		**1,040,335**	792,587
Liabilities			
Current liabilities			
Amounts owed to parent undertaking	15	**535,256**	945,576
Trade and other payables	7	**250,813**	120,130
		786,069	1,065,706
Non-current liabilities			
Provision for liabilities and charges	8	**19,580**	18,648
Amounts owed to parent undertaking	15	**6,082,610**	6,482,610
		6,102,190	6,501,258
Total equity and liabilities		**7,928,594**	8,359,551

These financial statements on pages 6 to 19 were approved by the board of directors on 15th May 2012 and were signed on its behalf by

Stefan Sved
Director

Registered number: 03292728

Pendine Wind Farm Limited

Statement of Cash Flow for the year ended 31 December 2011

	Note	**2011** £	2010 £
Cash flows from operating activities			
Cash generated from operations	12	**1,059,723**	(172,527)
Interest paid		**(955,984)**	(100,000)
Taxation – Group Relief		**(78,893)**	-
Cash generated from operating activities		**24,846**	(272,527)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(12,397)**	(242,810)
Net cash used in investing activities		**(12,397)**	(242,810)
Cash flows from financing activities			
Trading loan received from parent entity	15	**(200,000)**	841,734
Net cash generated by financing activities		**(200,000)**	841,734
Net increase in cash and cash equivalents	13	**(187,551)**	326,397
Cash and cash equivalents at 1 January	13	**343,422**	17,025
Cash and cash equivalents at 31 December	13	**155,871**	343,422

The notes on pages 10 to 19 form part of the financial statements

Pendine Wind Farm Limited

Statement of Accounting Policies

Accounting policies for the year ended 31 December 2011
The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

Basis of preparation
These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS The financial statements have been prepared on the going concern basis under the historical cost convention

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the company's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1

These separate financial statements contain information about Pendine Wind Farm Limited as an individual company and do not contain consolidated financial information as the parent of a group The company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, N V Nuon Energy

New standards which are now effective
The following standards, amendments and interpretations are mandatory for the company for the first time in this financial reporting period, however, their implementation has not had a significant impact on the results or net assets of the company

- IAS 24 (revised) 'Related party disclosures' (effective 1 January 2011)
- Amendments IAS 32 Financial instruments Presentation on classification of rights issues (effective 1 February 2010)
- Amendment to IFRS 1, First time adoption on financial instrument disclosures (effective 1 July 2010)
- Annual improvements 2010 (effective 1 January 2011)
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement' (effective January 2011)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)

Standards not yet effective

As at the date of authorisation of these financial statements, the following Standards and Interpretations as well as amendments to existing Standards and Interpretations, which have not been applied in these financial statements, were in issue but not effective

- Amendment to IFRS 7, Financial instruments Disclosures (effective 1 July 2011)
- Amendment to IFRS 1 on hyperinflation and fixed dates (effective 1 July 2011)
- Amendment to IAS 12,'Income taxes' on deferred tax (effective 1 January 2012)

Management are of the opinion that the above new Standards and Interpretations as well as amendments to existing Standards and Interpretations will not have a material impact upon the group

Pendine Wind Farm Limited

Statement of accounting policies (continued)

Going concern
The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued support of an intermediate parent company, Nuon International Renewables Projects BV and the ultimate parent company, Vattenfall AB The directors have received a confirmation that the parent entities intend to support the company for at least one year after these financial statements are signed

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation Historical cost includes expenditure that is directly attributable to the acquisition of the items Upgrade costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably The carrying amount of the replaced part is derecognised All other repairs and maintenance, which do not add value to the asset, are charged to the statement of comprehensive income during the financial year in which they are incurred

Depreciation is calculated so as to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives on a straight line basis The annual depreciation rates and methods are as follows

Wind turbines and plant	20 years from the date of first operation
Decommissioning provision	20 years from the date of first operation
Other equipment	5 years

Land options
Third party costs incurred in relation to acquiring options over sites for potential wind farms are capitalised as Intangible Assets Land options will be exercised only when sites are approved for planning permission and then have a usual life of 5 years with an option to extend Land options are stated at cost and will be amortised over 5 years after the option is exercised Capitalisation of third party costs commences when it is considered likely that the option will be acquired

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency')

Revenue recognition

All of the company's turnover is derived from the company's principal activity and is derived wholly in the UK Revenue is recognised in line with the generation of electricity by the Pendine wind farm

Pendine Wind Farm Limited

Statement of Accounting Policies (continued)

Financial instruments
The company adopted IAS 32 'Financial Instruments Disclosure and Presentation' and IAS 39 'Financial Instruments Recognition and Measurement' prospectively from 1 January 2006 Accordingly, the company has classified its financial instruments in the following categories from 1 January 2006

i) **Trade payables**
Trade payables are not interest bearing and are stated at their fair value

ii) **Trade receivables**
Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts

iii) **Group borrowings**
Group borrowings are interest bearing and are stated at their fair value

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

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt There is no external debt held by this company in either 2010 or 2011 as all loan balances are inter-company

Share capital
Debt and equity instruments are classified according to the substance of the contractual arrangements as required by IAS 32 'Financial Instruments Disclosure and Presentations' Ordinary shares are classified as equity

Taxation
The tax expense for the period comprises current and deferred tax Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity In this case the tax is also recognised in equity

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries and associates operate and generate taxable income Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Statement of Accounting Policies (continued)

Fair values
The fair values of short term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values The directors consider the fair value of the assets and liabilities recognised in these financial statements to be equal to cost, given the consideration paid in respect of the purchases from third parties

Cash and cash equivalents
Cash and cash equivalents includes balances included within cash and bank balances in the UK The company is supported in its capital requirements by its intermediate parent entity, Nuon UK Ltd

Notes to the financial statements

1 Critical accounting judgements

The company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results In the opinion of the Directors, there are no 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

2 Operating profit

	2011 £	2010 £
Operating profit is stated after charging:		
Auditors' remuneration		
- audit services	**3,150**	3,000
- taxation services	**1,025**	1,025
Depreciation of property, plant and equipment	**388,866**	378,976
Directors' emoluments	-	-
Staff costs (there are no employees of the company)	-	-

Directors are paid by the immediate parent entity, Nuon UK Ltd and no recharge is made as the role of director of this company is incidental to that of the parent (2010 none)

3 Finance costs

	2011 £	2010 £
Loan interest payable to parent entity	**424,557**	400,791
Unwinding of discount on decommissioning provision	**932**	888
	425,489	401,679

Interest is payable on a trading loan balance with Nuon UK Ltd at a rate of 5 9425% The loan is not due for repayment in less than one year (see note 15)

4 Tax expense

a) **Analysis of charge in the year**	**2011** £	2010 £
Corporation tax		
Amount payable/(receivable) to parent in respect of group relief	**(29,631)**	78,893
Total current tax	**(29,631)**	78,893
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax on ordinary activities	**(29,631)**	78,893

Pendine Wind Farm Limited

Notes to the financial statements (continued)

4 Tax expense continued

The tax on the company's profit/(loss) before tax is lower than (2010 higher than) the theoretical amount that would arise using the weighted average tax rate applicable to losses of the company as follows

(b) Tax reconciliation	2011 £	2010 £
Profit/(Loss) on ordinary activities before tax	**218,117**	(45,266)
Tax on loss on ordinary activities at 26 49% (2010 28%)	**57,786**	(12,674)
Effects of		
Disallowed expenses and non-taxable income	**1,058**	-
Depreciation in advance of capital allowances	**(88,722)**	105,865
Timing differences	**247**	(14,298)
Total tax charge/(receipt) for year (as above)	**(29,631)**	78,893

(c) Factors that may affect future tax charges

A deferred tax asset of £48,522 (2010 £132,443), being £30,869 arising on accelerated capital allowances and £17,653 on losses, is not recognised in the financial statements as it is uncertain when and if this will reverse

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011 Accordingly, the company's profits for this accounting period are taxed at an effective rate of 26 49% The standard rate of Corporation tax was expected to reduce to 25% with effect from 1 April 2012 and therefore, this is the rate at which deferred tax is calculated However, a reduction in the standard rate to 24% with effect from 1 April 2012 is expected to be substantively enacted on 26 March 2012 The financial impact of this reduction on the deferred tax balances is not material

Pendine Wind Farm Limited

Notes to the financial statements (continued)

5 Property, plant and equipment

	Wind Turbine & plant £	Wind Farm Decommissioning £	Total £
Cost			
At 1 January 2010	7,501,	17,760	7,519,510
Additions	242,81	-	242,810
At 1 January 2011	7,744,	17,7	7,762,320
Additions	12,397	-	12,397
At 31 December 2011	**7,756,957**	**17,760**	**7,774,717**
Accumulated depreciation			
At 1 January 2010	62,515	-	62,515
Charge for year	378,088	888	378,976
At 1 January 2011	440,603	888	441,491
Charge for year	387,978	888	388,866
At 31 December 2011	**828,581**	**1,776**	**830,357**
Net book value			
At 31 December 2011	**6,928,376**	**15,984**	**6,944,360**
At 31 December 2010	7,303,	16,872	7,320,829

6 Trade and other receivables

Amounts due in less than one year	**2011 £**	2010 £
Trade receivables	**314,069**	95,066
Prepayments and accrued income	**484,663**	574,168
Other receivables	-	26,066
	798,732	695,300

Pendine Wind Farm Limited

Notes to the financial statements (continued)

7 Trade and other payables

Amounts due in less than one year	2011 £	2010 £
Trade payables	**60,990**	34,813
Accruals and deferred ıncome	**74,726**	85,317
Other payables	**115,097**	-
	250,813	120,130

8 Provision for liabilities and charges

	2011 £	2010 £
Decommıssıonıng provısıon (see below)	**19,580**	18,648

Provısıon has been made for estımated decommıssıonıng costs whıch are calculated as the present value of estımated decommıssıonıng costs Included wıthın fıxed assets ıs an amount of £15,984 (2010 £16,872) whıch reflects the company's expected decommıssıonıng costs

	2011 £	2010 £
Decommıssıonıng provısıon at 1 January	**18,648**	17,760
Unwındıng of dıscount	**932**	888
Decommıssıonıng provısıon at 31 December	**19,580**	18,648

9 Ordinary shares

	2011 £	2010 £
Authorised		
10,000,000 ordınary shares of £1 each (2010 1,000,000)	**10,000,000**	10,000,000
Allotted, ıssued and fully paid		
1,100,002 ordınary shares of £1 each (2010 1,100,002)	**1,100,002**	1,100,002

Notes to the financial statements (continued)

10 Financial instruments

The company's financial instruments comprise cash and liquid resources and various items, such as receivables and trade payables that arise directly from its operations The company's policy is to finance its operations through group borrowings It is the company's policy not to hold financial instruments for speculative purposes

At 31 December 2011, the company had no loan borrowings other than from Group It had no financial assets other than other receivables and cash at bank The fair value of trade payables approximated to their book value

11 Accumulated deficit

	2011 £	2010 £
At 1 January	**(307,415)**	(183,256)
Total comprehensive income/(expense) for the financial year	**218,117**	(124,159)
At 31 December	**(89,298)**	(307,415)

12 Reconciliation of profit/(loss) before tax to net cash flow from operating activities

Cash generated from operations	**2011** £	2010 £
Continuing operations		
Profit/(loss) before tax	**218,117**	(45,266)
Depreciation (see note 5)	**388,866**	378,976
Finance costs (see note 3)	**425,489**	401,679
Increase in trade and other receivables	**(103,432)**	(456,344)
Increase/(decrease) in trade and other payables	**130,683**	(451,572)
Cash generated from/(used in) continuing operations	**1,059,723**	(172,527)

13 Analysis of cash and cash equivalents

	1 January 2011 £	Cash flows £	**31 December 2011** £
Cash in hand and at bank	343,422	(187,551)	**155,871**

Pendine Wind Farm Limited

Notes to the financial statements (continued)

14 Ultimate parent undertaking

The immediate parent undertaking is Nuon UK Ltd

The ultimate parent undertaking and controlling party is Vattenfall AB, a company incorporated in Sweden

Vattenfall AB is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011 The consolidated financial statements of Vattenfall AB are available from SE-162 87 Stockholm, Sweden

N V Nuon Energy is the parent undertaking of the smallest group of undertakings to consolidate these financial statements The consolidated financial statements of N V Nuon Energy can be obtained from Spaklerweg 20, 1096 BA, Amsterdam, Netherlands

15 Related party transactions

The company had the following transactions with related parties in 2010

Nuon UK Ltd	Parent entity	£48,905 (2010 £54,348)	Management charges
Nuon UK Ltd	Parent entity	£424,557(2010 £400,791)	Loan interest payable

At the year-end, £535,256 (2010 £945,576) and £6,082,610 (2010 £6,482,610) were due to Nuon UK Ltd, representing interest and loan principal due in less than one year and the principal of a loan due in more than one year Loan repayments of £500,000 are expected in 2012