

**PENDINE WIND FARM LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# PENDINE WIND FARM LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	S Grauers Nilsson (resigned 1 July 2017) C M Reinholdsson (resigned 1 July 2017) H Woltmann (appointed 6 April 2016, resigned 1 July 2017) P Guy A Elmas (appointed 1 July 2017) J O'Sullivan (appointed 1 July 2017)
<b>Company secretary</b>	J Van Mansfeld
<b>Registered number</b>	03292728
<b>Registered office</b>	Abbey Warehouse Abbey Slip Penzance Cornwall TR18 4AR
<b>Independent auditors</b>	Ernst & Young 1 More London Place London SE1 2AF
<b>Bankers</b>	Nordea Bank Finland plc 8th Floor City Place House 55 Bainsghall Street London EC2V 5NB

# **PENDINE WIND FARM LIMITED**

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# PENDINE WIND FARM LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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### Introduction

This report provides an overview of the current year performance, position and main issues that have been considered by the directors.

### Business review

During the year the Company operated an onshore wind farm at the Pendine farm in South West Wales within the United Kingdom. The wind farm has been fully operational throughout the year ended 31 December 2016 and has made sales of electricity of £1,087,673 (2015: £1,329,301). The directors anticipate similar levels of activity and profitability in future years.

During the year the Company cancelled and extinguished 1,900,000 Ordinary shares of £1 each using excess cash.

The ultimate parent undertaking is Vattenfall AB. One of the key focus areas of Vattenfall's strategy is building a more sustainable energy portfolio. Vattenfall has a committed and ambitious strategy for growth in renewable generation and plans to invest more than 50 billion Swedish Krona in new wind farms over the next five years.

In the financial year 2016, Vattenfall Group operated more than 1,000 turbines and had seven wind farms under construction in five countries, two of which were commissioned in 2016 and three of which were in the process of commissioning in 2016. The other wind farms are expected to commence operations in 2018.

### Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk and cash flow risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's Balance Sheet, the only financial risks the directors consider relevant to the Company are credit risk and liquidity risk. These risks are mitigated first with the Company being sufficiently equity funded and, second, by the nature of the balances owed, with these due to other Vattenfall group companies. Credit exposure represents the extent of credit-related losses that the Company may be subject to on amounts to be received from financial assets. The Company, while exposed to credit-related losses in the event of non-performance by counterparties does not expect any counterparties to fail to meet their obligations given their high credit quality.

Operational risks are mitigated by having contractual arrangements in place which result in adequate and timely services taking place when technical difficulties are experienced at the site.

This report was approved by the board and signed on its behalf.



**P Guy**  
Director

Date: 11 September 2017

# **PENDINE WIND FARM LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their report and the financial statements for the year ended 31 December 2016.

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments 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;
- 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 to 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.

### **Principal activity**

The Company's principal activity consists of the operation of an onshore wind farm at the Pendine Farm in South West Wales within the United Kingdom. The Company is a private limited company, domiciled in the United Kingdom and incorporated in England and Wales. During the year the Company's immediate parent undertaking was Nuon UK Ltd, intermediate parent of the Company is Nuon International Renewable Projects BV and the ultimate parent undertaking of the Company is Vattenfall AB, the Swedish based international utility company.

### **Going concern**

The Company's cash flows are largely driven by its direct and intermediate parent companies and, as a consequence, the Company depends, in large parts, on the ability of these Vattenfall companies to continue as a going concern. The directors have considered the Company's funding and operational relationships with its direct and intermediate parents to date and have considered available relevant information relating to Vattenfall's ability to continue as a going concern. In addition, the directors have no reason to believe that the respective Vattenfall companies will not continue to fund the Company, should it become necessary, to enable it to continue in operational existence.

On the basis of these considerations, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting when preparing the financial statements.

# **PENDINE WIND FARM LIMITED**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Results and dividends**

The profit for the year, after taxation, amounted to £202,248 (2015 - £373,895).

Dividend paid in the year is £nil (2015: £nil).

### **Directors**

The directors who served during the year were:

S Grauers Nilsson (resigned 1 July 2017)  
C M Reinholdsson (resigned 1 July 2017)  
H Woltmann (appointed 6 April 2016, resigned 1 July 2017)  
P Guy

### **Future developments**

The Company is continuously reviewing its business to stay responsive to the challenging energy market conditions and current low energy prices. Management has sourced its operation & maintenance with a service provider which allows for cost management and stability of cash flow. It is our policy to refrain from making any specific statements about expected future results. However, on the basis of risk analysis and adequate operational processes, we have faith that we will be able to tackle the challenges ahead and to stay on top of our operations.

### **Qualifying third party indemnity provisions**

Certain directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

### **Auditors**

The auditors, Ernst & Young, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

## **PENDINE WIND FARM LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016**

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This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to be 'P Guy', written over a horizontal line.

**P Guy**  
Director

Date: 11 September 2017

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PENDINE WIND FARM LIMITED**

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We have audited the financial statements of Pendine Wind Farm Limited for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, Balance Sheet, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement 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.

### **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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PENDINE WIND FARM LIMITED (CONTINUED)**

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### **Opinion on other matter 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;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

*Ernst + Young LLP*

Stuart Darrington (Senior Statutory Auditor)

for and on behalf of  
**Ernst & Young LLP**

London

15 September 2017

## PENDINE WIND FARM LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	4	1,087,673	1,329,301
Cost of sales		(820,717)	(859,113)
<b>Gross profit</b>		<b>266,956</b>	<b>470,188</b>
Administrative expenses		(36,454)	(16,716)
<b>Operating profit</b>	5	<b>230,502</b>	<b>453,472</b>
Interest receivable and similar income	8	2,476	9,162
Interest payable and expenses	9	(2,610)	(2,928)
<b>Profit before tax</b>		<b>230,368</b>	<b>459,706</b>
Tax on profit	10	(28,120)	(85,811)
<b>Profit for the year</b>		<b>202,248</b>	<b>373,895</b>
<b>Total comprehensive income for the year</b>		<b>202,248</b>	<b>373,895</b>

There were no recognised gains and losses for 2016 or 2015 other than those included in the Statement of Comprehensive Income. All amounts relate to continuing operations.

The notes on pages 11 to 24 form part of these financial statements.

**PENDINE WIND FARM LIMITED**  
**REGISTERED NUMBER:03292728**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	11	4,385,040	4,872,144
		<u>4,385,040</u>	<u>4,872,144</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	420,798	603,969
Cash at bank and in hand	13	1,984,730	1,046,955
		<u>2,405,528</u>	<u>1,650,924</u>
Creditors: amounts falling due within one year	14	(1,945,865)	(66,712)
<b>Net current assets</b>		<u>459,663</u>	<u>1,584,212</u>
<b>Total assets less current liabilities</b>		<u>4,844,703</u>	<u>6,456,356</u>
<b>Provisions for liabilities</b>			
Deferred taxation	16	(82,475)	(54,355)
Other provisions	17	(222,160)	(164,181)
		<u>(304,635)</u>	<u>(218,536)</u>
<b>Net assets</b>		<u><u>4,540,068</u></u>	<u><u>6,237,820</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	4,200,002	6,100,002
Retained earnings		340,066	137,818
<b>Total equity</b>		<u><u>4,540,068</u></u>	<u><u>6,237,820</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**P Guy**  
 Director

Date: 11 September 2017

The notes on pages 11 to 24 form part of these financial statements.

## PENDINE WIND FARM LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2016	6,100,002	137,818	6,237,820
<b>Comprehensive income for the year</b>			
Profit for the year	-	202,248	202,248
<b>Total comprehensive income for the year</b>	-	202,248	202,248
Shares cancelled during the year	(1,900,000)	-	(1,900,000)
<b>At 31 December 2016</b>	<b>4,200,002</b>	<b>340,066</b>	<b>4,540,068</b>

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## PENDINE WIND FARM LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2015	6,100,002	(236,077)	5,863,925
<b>Comprehensive income for the year</b>			
Profit for the year	-	373,895	373,895
<b>Total comprehensive income for the year</b>	-	373,895	373,895
<b>At 31 December 2015</b>	<b>6,100,002</b>	<b>137,818</b>	<b>6,237,820</b>

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The notes on pages 11 to 24 form part of these financial statements.

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1. Authorisation of financial statements

The financial statements of Pendine Wind Farm Limited (the "Company") for the year ended 31 December 2016 were approved by the board and authorised for issue on 11 September 2017 and the Balance Sheet was signed on the board's behalf by P Guy. Pendine Wind Farm Limited is incorporated and domiciled in England and Wales.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The financial statements are prepared using rounding to the nearest thousand of the functional and presentational currency, GBP.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.3 Change in accounting policy and disclosures

Unless otherwise stated, the accounting policies and method of computation adopted in the preparation of the financial statements are consistent with those of the previous year.

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2016 unless otherwise stated and the impact of adoption is described below. There are no other changes to IFRS effective in 2016 which have a material impact on the Company.

##### *IAS 1 Disclosure Initiative - Presentation of Financial Statements*

The amendments clarify the materiality requirements in IAS 1, that specific line items in the Statement of Comprehensive Income and the Balance Sheet may be disaggregated and that entities have flexibility as to the order in which they present the notes to the financial statements. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

#### **New standards and interpretations not yet effective**

The Company has elected not to early adopt the following revised and amended standards, which are not yet mandatory in the EU.

The list below includes only standards and interpretations that could have an impact on the financial statements of the Company.

- IFRS 9 Financial instruments (effective in the EU 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective in the EU 1 January 2018)
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration (effective in the EU 1 January 2018)
- IFRS 16 Leases (effective in the EU 1 January 2019)

#### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue represents income earned from the sale of electricity, and separate sale of environmental credits, and excludes value added tax. Revenue is recognised or accrued at the time of supply. All revenue originates in the United Kingdom.

#### 2.5 Development expenditure

Development expenditure is capitalised and held as assets under construction when the Company obtains planning consent and the project is expected to become technically and commercially viable such that the project is expected to generate sufficient net cash flow to allow recovery of such expenditure. Otherwise, development expenditure for new wind farm projects is expensed as incurred. On disposal of a project, previously capitalised development expenditure will be transferred to the Statement of Comprehensive Income in the same period in which revenue is recognised.

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.6 Tangible fixed assets

All tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Assets under construction are capitalised as separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Assets under construction are not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Wind farm - tower, blades, foundations etc	- 20 years
Wind farm - gearboxes and generators	- 10 years
Plant & machinery	- 5 years
Wind farm decommissioning asset	- 20 years

#### 2.7 Leasing

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

#### 2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

##### Financial assets

The Company classifies all of its financial assets as loans and receivables.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

##### Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

##### At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

#### 2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.12 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'interest receivable and similar income' for gains or 'interest payable and expenses' for losses.

#### 2.13 Interest expenses

Interest expenses are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 2.15 Decommissioning provision

The Company has provided for the present value of estimated decommissioning costs from the time that the Company has an obligation to dismantle and remove a facility and restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of tangible assets.

Each year the decommissioning provision is subject to an unwinding of the discounted value in order to bring the provision up to the latest present value. The charge is included within interest payable in the Statement of Comprehensive Income.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

#### 2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all temporary differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date as well as revenues and expenses reported during the year.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the Balance Sheet date:

#### Decommissioning

Significant estimates and assumptions are made in determining this provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently accounted for. The provision at the Balance Sheet date represents management's best estimate of the present value of the future closure costs required.

### 4. Turnover

The total turnover of the Company has been derived from its principal activity.

### 5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	542,473	543,367
Exchange differences	20	1,167
Operating lease rentals - land and buildings	84,935	116,343
	<u>627,428</u>	<u>760,877</u>

### 6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements. No other services are provided to the Company.

	2016 £	2015 £
Fees for audit services	7,520	5,728
	<u>7,520</u>	<u>5,728</u>

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 7. Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was 4 (2015: 4). The Company's payroll costs are incurred by other entities within the Group, with the costs recharged to the Company.

#### Directors remuneration

The directors of the Company are also directors of the holding company and fellow subsidiaries. The directors remuneration for the year, apportioned to the Company based on the estimated individual director representation for the Company, amounts to £18,968 (2015: £14,923). All of the remuneration was paid by another Vattenfall Group company.

### 8. Interest receivable and similar income

	2016 £	2015 £
Income from short term deposits	<u>2,476</u>	<u>9,162</u>

### 9. Interest payable and expenses

	2016 £	2015 £
Unwinding of discount on decommissioning provision	<u>2,610</u>	<u>2,928</u>

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 10. Taxation

	2016 £	2015 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	-	(1,299)
<b>Total current tax</b>	-	(1,299)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	46,074	93,090
Changes to tax rates	(17,954)	(7,188)
Amounts (over)/underprovided in previous years	-	1,208
<b>Total deferred tax</b>	28,120	87,110
<b>Taxation on profit on ordinary activities</b>	28,120	85,811

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	230,368	459,706
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	46,074	93,090
<b>Effects of:</b>		
Tax overprovided in previous years	-	(91)
Impact of rate change	(17,954)	(7,188)
<b>Total tax charge for the year</b>	28,120	85,811

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 10. Taxation (continued)

#### Factors that may affect future tax charges

In the Budget 2016 the UK Government announced that the main rate of corporation tax would be reduced to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020. These rates were substantively enacted before the Balance Sheet date and therefore the closing net deferred tax liability has been calculated at the rate applicable for the period in which the underlying temporary difference is expected to unwind.

Also at Budget 2016, the government announced its intention to reform the corporate tax loss relief rules. The key change to the rules is a proposed restriction to the amount of profit that can be offset by carried-forward losses to 50% from 1 April 2017. As the proposed legislation was not substantively enacted at the balance sheet date, the calculation of deferred tax has been performed according to the existing loss relief rules. There would be no material difference between the closing deferred tax liability at the balance sheet date under the new rules compared to the existing law.

### 11. Tangible fixed assets

	Wind farm assets £	Gearboxes & generators £	Wind farm decommissioning asset £	Total £
<b>Cost or valuation</b>				
At 1 January 2016	5,429,870	2,327,087	132,343	7,889,300
Adjustment to asset	-	-	55,369	55,369
At 31 December 2016	5,429,870	2,327,087	187,712	7,944,669
<b>Depreciation</b>				
At 1 January 2016	1,667,827	1,309,942	39,387	3,017,156
Charge for the year on owned assets	269,479	267,818	5,176	542,473
At 31 December 2016	1,937,306	1,577,760	44,563	3,559,629
<b>Net book value</b>				
At 31 December 2016	3,492,564	749,327	143,149	4,385,040
At 31 December 2015	3,762,043	1,017,145	92,956	4,872,144

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 12. Debtors

	2016 £	2015 £
Trade debtors	17,697	1,937
Other debtors	12,323	45,934
Prepayments and accrued income	390,778	489,006
Group relief	-	67,092
	<u>420,798</u>	<u>603,969</u>

### 13. Cash at bank and in hand

	2016 £	2015 £
Cash at bank and in hand	<u>1,984,730</u>	<u>1,046,955</u>

### 14. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	2,749	24
Amounts owed to group undertakings	1,922,370	26,551
Accruals and deferred income	20,746	40,137
	<u>1,945,865</u>	<u>66,712</u>



# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 15. Financial instruments

	2016 £	2015 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	1,984,730	1,046,955
Financial assets that are debt instruments measured at amortised cost	265,443	448,152
	<u>2,250,173</u>	<u>1,495,107</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(1,925,119)	(26,575)
	<u>(1,925,119)</u>	<u>(26,575)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise loans and receivables, the majority of which is made up of accrued income.

Financial liabilities measured at amortised cost comprise mostly of amounts owed to group companies.

### 16. Deferred taxation

	2016 £
At beginning of year	(54,355)
Charged to the Statement of Comprehensive Income	(28,120)
<b>At end of year</b>	<u>(82,475)</u>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(210,010)	(226,659)
Tax losses carried forward	112,542	156,287
Other temporary timing differences	14,993	16,017
	<u>(82,475)</u>	<u>(54,355)</u>

# PENDINE WIND FARM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. Other provisions

	Decommissioning provision £
At 1 January 2016	164,181
Effect of change in estimate	55,369
Unwinding of discount	2,610
<b>At 31 December 2016</b>	<b>222,160</b>

#### Decommissioning provision

Provision has been made for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 1.59% (2015: 2.55%).

During the year, the estimate for the decommissioning provision has been reviewed in light of current information. Based on this review the assumptions have been further scrutinised, resulting in an adjustment to the best estimate of the decommissioning provision required.

### 18. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
4,200,002 (2015 - 6,100,002) Ordinary shares shares of £1 each	<b>4,200,002</b>	6,100,002

To limit the excess cash in the Company, on 31 December 2016 the Company, by special resolution, cancelled and extinguished 1,900,000 Ordinary shares of £1 each.

### 19. Commitments under operating leases

The Company has entered into operating leases for the certain sites used by the Company. The operating lease rental charges are based on MWh generation. As such the rental commitments for the following year cannot be established in advance. The rental costs for the year ended 31 December 2016 were £36,866 (2015: £13,814).

## **PENDINE WIND FARM LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **20. Ultimate parent undertaking and controlling party**

At 31 December 2016 the immediate parent undertaking is Nuon UK Limited, a company registered in the United Kingdom. The Directors regard Vattenfall AB, a company registered in S-162 87 Stockholm, Sweden as the Company's controlling party and ultimate parent undertaking.

The results of Pendine Wind Farm Limited are included in the consolidated financial statements of Vattenfall AB which are available from the Vattenfall website, <http://corporate.vattenfall.com>.