

Registration number: 05246622

Walney (UK) Offshore Windfarms Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015



Walney (UK) Offshore Windfarms Limited

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Walney (UK) Offshore Windfarms Limited

Company Information

Directors	Benjamin Sykes Stephen Rose Dennis Van Alphen Darren Hawkes Robert Helms Jeremy Williamson Eric Jan Van de Brake
Registered office	Watson Farley and Williams LLP 15 Appold Street London United Kingdom EC2A 2HB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

Walney (UK) Offshore Windfarms Limited

Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Strategy

The principal activity of the Company is the generation of electricity in the UK through the use of offshore wind technology.

The Company's strategy is to maximise the lifetime value of the wind farm through active condition monitoring and maintenance to maintain high levels of availability and production. The Company has a long-term offtake agreement which provides secure revenues from power sales.

Objectives

The Company's strategic objectives are:

- Achieving zero accidents and breaches of environmental standards;
- Maximising energy production through high levels of availability;
- Maintaining long term asset condition and reliability;
- Optimising costs.

Principal risks and uncertainties

The principal risk of the business relates to the ability of the company to run its operations in a financially efficient manner, which is mitigated through meeting its business objectives.

Non-compliance with statutory Health, Safety, and Environment (HSE) obligations is also a principal risk. The Company operates a comprehensive HSE management system, and actively monitors its performance in order to identify and implement improvements.

Key Performance Indicators and review of the business

The Company measures its performance in line with its strategic objectives. Key performance indicators (KPIs) are used to measure progress against agreed targets for safe, responsible and sustainable operations.

The company's key financial and other performance indicators during the year were as follows:

	2015	2014
	£	£
Revenue	123,221,700	123,479,951
Profit before tax	19,226,101	19,429,954
Company's net asset position	763,295,824	814,923,195

The company's key non-financial performance indicator is wind farm availability. The level of availability is achieved by the company monitoring the effectiveness and efficiency of the wind farm on a regular basis. For the current and prior year the availability was broadly in-line with management's expectation.

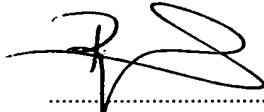
Walney (UK) Offshore Windfarms Limited

Strategic Report for the Year Ended 31 December 2015

Future outlook

Commercial generation is expected to continue until the end of the expected economic life of the wind farm, when the assets will be decommissioned.

Approved by the Board on 30 March 2016 and signed on its behalf by:



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Benjamin Sykes
Director

Walney (UK) Offshore Windfarms Limited

Directors' Report for the Year Ended 31 December 2015

The directors present their report and the audited Financial Statements of Walney (UK) Offshore Windfarms Limited for the year ended 31 December 2015.

Dividends

During the year a dividend of £77,091,514 was paid (2014: £90,447,574). The directors do not recommend a payment of a final dividend (2014: nil).

Directors of the company

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

Carl Dandanell (resigned 10 March 2015)

Benjamin Sykes

Mads Skovgaard-Andersen (resigned 22 May 2015)

Michael Simmelsgaard (resigned 22 May 2015)

Stephen Rose

Peter Donaldson (resigned 4 March 2016)

Dennis Van Alphen (appointed 10 March 2015)

Darren Hawkes (appointed 22 May 2015)

Robert Helms (appointed 22 May 2015)

The following directors were appointed after the year end:

Jeremy Williamson (appointed 4 March 2016)

Eric Jan Van de Brake (appointed 4 March 2016)

Financial risk

Objectives and policies

The company's operations expose it to a variety of financial risks that include the effects of price risk, liquidity risk, credit risk, cash flow risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company and being part of a larger group with group wide policies and risk management procedures, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Walney (UK) Offshore Windfarms Limited

Directors' Report for the Year Ended 31 December 2015

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

The company enters into contractual arrangements, which guarantee fixed revenue for the output of the wind farm. In addition to this, price risk is mitigated through contractual arrangements, by fixing a large part of the company's costs.

Credit risk

The company's policy seeks to mitigate its credit risks by systematically credit rating counterparties, by using Standard & Poor's and Moody's ratings, financial standard contracts and by requiring collateral. Management have continuously monitored allocated credit lines.

Liquidity risk

The company utilises appropriately termed finance, which is designed to ensure the company has sufficient funding available for operations.

Cash flow risk

The company has no long-term debt. The company does however have overdraft balances of which carry interest at floating rates. The directors will continue to monitor the appropriateness of this arrangement.

Directors liabilities

The Company has in effect directors' indemnity insurance. This is a qualifying third party indemnity provision and was in force during the financial year and at the date of the approval of the financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

Walney (UK) Offshore Windfarms Limited

Directors' Report for the Year Ended 31 December 2015

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board on 30 March 2016 and signed on its behalf by:


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Benjamin Sykes
Director

Walney (UK) Offshore Windfarms Limited

Independent Auditors' Report to the members of Walney (UK) Offshore Windfarms Limited

Report on the financial statements

Our opinion

In our opinion, Walney (UK) Offshore Windfarms Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Walney (UK) Offshore Windfarms Limited

Independent Auditors' Report to the members of Walney (UK) Offshore Windfarms Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5 to 6, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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.

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Peter Acloque (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

Date: 30 March 2016

Walney (UK) Offshore Windfarms Limited

Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	2015 £	As restated 2014 £
Revenue	4	123,221,700	123,479,951
Cost of sales		<u>(79,557,611)</u>	<u>(78,768,905)</u>
Gross profit		43,664,089	44,711,046
Administrative expenses		<u>(22,549,850)</u>	<u>(24,156,415)</u>
Operating profit		<u>21,114,239</u>	<u>20,554,631</u>
Finance income	7	43,614	800,075
Finance expenses	8	<u>(1,931,752)</u>	<u>(1,924,752)</u>
		<u>(1,888,138)</u>	<u>(1,124,677)</u>
Profit on ordinary activities before tax		19,226,101	19,429,954
Tax on profit on ordinary activities	9	<u>(1,753,472)</u>	<u>(17,929,713)</u>
Profit for the year		<u>17,472,629</u>	<u>1,500,241</u>
Total comprehensive income for the year		<u>17,472,629</u>	<u>1,500,241</u>

The above results were derived from continuing operations.

The notes on pages 12 to 25 form an integral part of these financial statements.

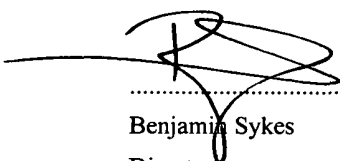
Walney (UK) Offshore Windfarms Limited

(Registration number: 05246622)

Statement of Financial Position as at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	11	70,799	75,474
Property, plant and equipment	10	<u>815,422,475</u>	<u>872,339,263</u>
		<u>815,493,274</u>	<u>872,414,737</u>
Current assets			
Trade and other receivables	12	15,591,026	18,649,732
Cash		<u>11,338,688</u>	<u>7,505,204</u>
		26,929,714	26,154,936
Creditors: Amounts falling due within one year			
Trade and other payables	16	<u>(9,944,027)</u>	<u>(12,805,681)</u>
Net current assets		<u>16,985,687</u>	<u>13,349,255</u>
Total assets less current liabilities		832,478,961	885,763,992
Provisions for liabilities	15, 9	<u>(69,183,137)</u>	<u>(70,840,797)</u>
Net assets		<u><u>763,295,824</u></u>	<u><u>814,923,195</u></u>
Equity			
Share capital	13	19,000	15,000
Share premium		114,479,439	106,491,925
Retained earnings		<u>648,797,385</u>	<u>708,416,270</u>
Total shareholders' funds		<u><u>763,295,824</u></u>	<u><u>814,923,195</u></u>

Approved by the Board on 30 March 2016 and signed on its behalf by:



 Benjamin Sykes
 Director

The notes on pages 12 to 25 form an integral part of these financial statements.

Walney (UK) Offshore Windfarms Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Called-up share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2015	15,000	106,491,925	708,416,270	814,923,195
Profit for the year	-	-	17,472,629	17,472,629
Total comprehensive income	-	-	17,472,629	17,472,629
Dividends	-	-	(77,091,514)	(77,091,514)
New share capital issued	4,000	7,987,514	-	7,991,514
At 31 December 2015	19,000	114,479,439	648,797,385	763,295,824
	Called-up share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2014	11,000	86,348,351	797,363,603	883,722,954
Profit for the year	-	-	1,500,241	1,500,241
Total comprehensive income	-	-	1,500,241	1,500,241
Dividends	-	-	(90,447,574)	(90,447,574)
New share capital issued	4,000	20,143,574	-	20,147,574
At 31 December 2014	15,000	106,491,925	708,416,270	814,923,195

The notes on pages 12 to 25 form an integral part of these financial statements.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

Watson Farley and Williams LLP

15 Appold Street

London

United Kingdom

EC2A 2HB

These financial statements were authorised for issue by the Board on 30 March 2016.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied 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

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the company has prepared in accordance with FRS 101. The effective transition date was 1 January 2014. The accounting policies which follow set out the policies applied in preparing the financial statements for the year ended 31 December 2015.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Summary of disclosure exemptions

The company has applied FRS101 reduced disclosure framework, as it meets the requirements of FRS101.

The company has taken advantage of the following FRS 101 disclosure exemptions;

- No requirement to present an opening statement of financial position for qualifying entities adopting FRS101 for the first time (IAS 1); general exemption applied by the company.

- No requirement to disclose standards in issue not yet effective (IAS 1); general exemption applied by the company.

- No requirement to present capital management disclosures (IAS 1); as company is not a financial institution.

- No requirement to prepare a cash flow statement (IAS 7); minority shareholders have agreed with this reduced disclosure.

- No comparative reconciliations for share capital or property, plant and equipment or intangible assets (IAS 1; IAS 16 paragraph 73(e); IAS 38 paragraph 118(e)); exemption applied by the company.

- No disclosure of key management personnel compensation, except directors' remuneration disclosures required by law (IAS 24 paragraph 17).

- No disclosure of IFRS 7, 'Financial Instruments: Disclosures' requirements

- No disclosure of IFRS 13, 'Fair value measurement' valuation techniques and inputs used for fair value measurement of assets and liabilities

Transition to FRS 101

After applying the transition exemptions and associated policies on transition from UKGAAP to FRS101, there were no remeasurement differences from the previously reported financial position and financial performance.

Going concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management has taken into account all available information about the future, which is at least 12 months from the date the financial statements were signed.

Revenue recognition

Revenue is recognised in profit (loss) for the year when delivery and transfer of risk to the buyer have taken place and to the extent that the income can be measured reliably and is expected to be received. Revenue is measured at the fair value of the agreed consideration excluding VAT and other indirect taxes collected on behalf of third parties. All forms of discounts granted are recognised as revenue.

Revenue comprises sale of electricity at market prices and regulated prices (fixed tariffs and guaranteed minimum prices for green certificates), which is recognised at the production date.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Foreign currency transactions and balances

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when expenses are denominated in foreign currencies). The net exposure of each currency is monitored and managed by the central treasury function through a mandate from the Board of directors.

However the company deems the risk of foreign exchange transaction risk as insignificant and no other active management of this risk is undertaken. The historical trend of the currencies that the company transacts in has been assessed as stable. However, in prior years, during the construction phase the project company hedged foreign currency exposure arising from construction expenditure.

Tax

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

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts and the tax base of assets and liabilities.

Deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability respectively. Deferred tax assets are recognised at the value at which they are expected to be utilised either by elimination against tax on future earnings or by offsetting against deferred tax liabilities.

Deferred tax is measured in accordance with the tax rules and tax rates that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit (loss) for the year.

Intangible assets

Rights are measured at cost less accumulated amortisation and impairment losses.

Amortisation

Rights are amortised on a straight-line basis over their estimated future useful lives.

Asset class

Rights

Amortisation method and rate

Straight line method over 20 years

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of selfconstructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Cost is increased by the present value of the estimated obligations for decommissioning and restoration to the extent that they are recognised as a provision.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the company from the expenses incurred. Replaced parts are derecognised from the balance sheet, and their carrying amount is recognised in profit (loss) for the year. All other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Depreciation

In the case of property, plant and equipment, cost is, as a rule, depreciated on a straight-line basis over the estimated future useful lives, which are:

Asset class	Depreciation method and rate
Wind farm	Straight line method over 20 years
Decommissioning asset	Straight line method over 20 years

Cash and cash equivalents

Cash at bank and in hand comprise of company bank account facilities and petty cash.

Provisions

General

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the company has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Decommissioning provision

Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning and restoration as expected at the balance sheet date. The value of the provision is recognised in property, plant and equipment and depreciated together with the associated asset. The increase in time of the present value of the provision is recognised in profit (loss) for the year as financial expenses.

Leases

Lease payments under operating leases are recognised at cost in profit (loss) for the year over the term of the lease if the agreement concerns operating expenses.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Judgments In the process of applying the company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax

Deferred tax assets, including the tax base of tax loss carry-forwards, are reassessed annually and recognised to the extent that it is probable that they will be utilised in the foreseeable future. Management's reassessment is based on future outlook of the investment plan and expected revenue generation.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

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

Decommissioning Provisions

Estimates of decommissioning obligations are based on management's expectations concerning timing and scope, future cost level, and adopted laws and regulations on decommissioning. The timing of decommissioning obligations depends on the useful lives of the assets. In determining the discounting of decommissioning obligations at 31 December 2015, a discount rate of 4.5% is applied, the same discount rate that the Group applied at 31 December 2014. The applied discount rate of 4.5% is still expected to be applied over a prolonged period. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on the historical interest rate level. The extent to which decommissioning and restoration will be required is estimated based on current legislation and standards in this area. Expectations concerning the future cost level are based on variables such as expectations concerning the general price trend, demand conditions and the development in existing technologies.

Contingent liability

When exercising a judgement about a potential liability in connection with litigation, the nature of the litigation, claim or statement is assessed. Other factors taken into account are the development of the case, the judgements and recommendations of legal or other advisers, experience from similar cases, and management's decision on how the Group will react to the litigation, claim or statement.

Useful lives of production assets

The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future applications may subsequently prove not to be realisable, which may require useful lives to be reassessed.

4 Revenue

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

All the revenue is generated from one line of business and from one geographical location.

5 Auditors' remuneration

	2015 £	2014 £
Audit of the financial statements	<u>11,038</u>	<u>16,845</u>

6 Staff costs

There were no (2014 : nil) employees during the year. The directors received no (2014 : nil) emoluments during the year, in respect of their services to the company.

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

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

7 Finance income

	2015 £	2014 £
Bank interest income	43,614	51,078
Interest income on group undertakings	-	495,890
Other finance income	-	253,107
	<u>43,614</u>	<u>800,075</u>

8 Finance expense

	2015 £	2014 £
Interest on bank overdrafts and borrowings	1,360	2,431
Foreign exchange losses	17,374	-
Unwinding of discount on decommissioning provision	1,913,018	1,922,321
	<u>1,931,752</u>	<u>1,924,752</u>

9 Income tax

Tax expense/(credited) in the income statement

	2015 £	2014 £
Deferred taxation		
Origination and reversal of timing differences	614,716	3,897,531
Adjustment in respect of prior years	1,138,756	14,032,182
Total deferred taxation	<u>1,753,472</u>	<u>17,929,713</u>

The tax expense for the years is lower than the standard rate of corporation tax in the UK (2014 - lower than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>19,226,101</u>	<u>19,429,954</u>
Corporation tax at standard rate	3,893,286	4,177,440
Expense not deductible for tax purposes	93,789	12,406
Remeasurement of deferred tax - change in UK tax rate	(3,372,359)	(292,315)
Adjustments to tax charge in respect of prior years	1,138,756	14,032,182
Total tax expense	<u>1,753,472</u>	<u>17,929,713</u>

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

10 Property, plant and equipment

	Decommissioning Asset £	Wind Farm £	Total £
Cost or valuation			
At 1 January 2015	38,379,737	1,007,543,317	1,045,923,054
Decrease in decommissioning estimate	(5,324,150)	-	(5,324,150)
Additions	<u>-</u>	<u>421,550</u>	<u>421,550</u>
At 31 December 2015	<u>33,055,587</u>	<u>1,007,964,867</u>	<u>1,041,020,454</u>
Accumulated depreciation			
At 1 January 2015	6,798,949	166,784,842	173,583,791
Charge for the year	<u>1,860,156</u>	<u>50,154,032</u>	<u>52,014,188</u>
At 31 December 2015	<u>8,659,105</u>	<u>216,938,874</u>	<u>225,597,979</u>
Carrying amount			
At 31 December 2015	<u>24,396,482</u>	<u>791,025,993</u>	<u>815,422,475</u>
At 31 December 2014	<u>31,580,788</u>	<u>840,758,475</u>	<u>872,339,263</u>

The depreciation charge for the year of £ 52,014,188 (2014: £51,510,823) is included in cost of sales.

11 Intangible assets

	Rights £	Total £
Cost or valuation		
At 1 January 2015	<u>90,000</u>	<u>90,000</u>
At 31 December 2015	<u>90,000</u>	<u>90,000</u>
Accumulated amortisation		
At 1 January 2015	14,526	14,526
Amortisation charge	<u>4,675</u>	<u>4,675</u>
At 31 December 2015	<u>19,201</u>	<u>19,201</u>
Carrying amount		
At 31 December 2015	<u>70,799</u>	<u>70,799</u>
At 31 December 2014	<u>75,474</u>	<u>75,474</u>

The amortisation charge for the year of £4,675 (2014: £4,675) is included in cost of sales.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

12 Trade and other receivables

	2015 £	2014 £
Trade receivables	6,013,384	8,345,794
Amounts owed by group undertakings	4,834,765	4,712,217
Prepayments	2,279,726	3,164,027
Other receivables	2,463,151	2,427,694
Total current trade and other receivables	<u>15,591,026</u>	<u>18,649,732</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13 Share capital

Allotted, called up and fully paid shares

	2015	2014
	No.	No.
	£	£
Ordinary share capital of £1 each	<u>19,000</u>	<u>15,000</u>
	<u>19,000</u>	<u>15,000</u>

During May 2015, a further 1,000 ordinary shares having an aggregate nominal value of £1,000 were allotted for an aggregate consideration of £2,791,637.

During November 2015, a further 3,000 ordinary shares having an aggregate nominal value of £3,000 were allotted for an aggregate consideration of £5,195,877.

14 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2015 £	2014 £
Within one year	4,154,000	4,115,726
In two to five years	7,360,000	9,980,292
In over five years	17,677,000	19,900,832
	<u>29,191,000</u>	<u>33,996,850</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,589,022 (2014 - £4,508,612). Non-cancellable operating leases relate to the leasing of the seabed and land from which the company operates from and other leases for equipment which the company uses to operate the wind farm.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

15 Provisions for liabilities

	Deferred tax £	Decommissioning £	Total £
At 1 January 2015	28,154,747	42,686,050	70,840,797
Charged to the income statement	1,753,472	1,913,018	3,666,490
Decrease in estimates	<u>-</u>	<u>(5,324,150)</u>	<u>(5,324,150)</u>
At 31 December 2015	<u>29,908,219</u>	<u>39,274,918</u>	<u>69,183,137</u>
	Deferred tax £	Decommissioning £	Total £
At 1 January 2014	10,225,034	41,975,691	52,200,725
Charged to the income statement	17,929,713	1,922,321	19,852,034
Decrease in estimates	<u>-</u>	<u>(1,211,962)</u>	<u>(1,211,962)</u>
At 31 December 2014	<u>28,154,747</u>	<u>42,686,050</u>	<u>70,840,797</u>

The Decommissioning provision has been made under IAS37 for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 4.50% (2014 : 4.50%). Included within fixed assets is an amount of £24,396,482 (2014 : £31,580,788) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2016 and future years. The decommissioning asset is being depreciated over the expected life of the wind farm.

For deferred tax detail refer to note 9 Income tax.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2015 £	Recognised in income £	At 31 December 2015 £
Accelerated tax depreciation	(76,794,823)	1,999,001	(74,795,822)
Other items	2,301,002	449,071	2,750,073
Tax losses carry-forwards	<u>46,339,074</u>	<u>(4,201,544)</u>	<u>42,137,530</u>
Net tax assets/(liabilities)	<u>(28,154,747)</u>	<u>(1,753,472)</u>	<u>(29,908,219)</u>

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

15 Provisions for liabilities (continued)

Deferred tax movement during the prior year:

	At 1 January 2014 £	Recognised in income £	At 31 December 2014 £
Accelerated tax depreciation	(67,582,042)	(9,212,781)	(76,794,823)
Other items	1,521,163	779,839	2,301,002
Tax losses carry-forwards	55,835,845	(9,496,771)	46,339,074
Net tax assets/(liabilities)	<u>(10,225,034)</u>	<u>(17,929,713)</u>	<u>(28,154,747)</u>

16 Trade and other payables

	2015 £	2014 £
Trade payables	3,410,193	7,237,678
Accrued expenses	3,189,196	-
Amounts owed to group undertakings	1,748,846	2,335,305
Other payables	<u>1,595,792</u>	<u>3,232,698</u>
	<u>9,944,027</u>	<u>12,805,681</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17 Dividends

	2015 £	2014 £
Interim dividend of £5,139 (2014 - £8,223) per ordinary share	<u>77,091,514</u>	<u>90,447,574</u>

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

18 Related party transactions

Summary of transactions with parent

During the year the company sold power to DONG Energy Power (UK) Limited and incurred management services and financing charges associated with the operation of the wind farm.

During the year, the company incurred finance charges from DONG Energy A/S (Ultimate parent company of the group).

Summary of transactions with minority shareholder

During the year the company provided energy and ancillary goods and services to OPW Holdco Limited and SSE Renewables Walney (UK) Limited.

The company received funding in the prior and current year in the form of shareholder loans.

Summary of transactions with other related parties

During the year, the company received management and technical services, associated with operation of the wind farm, from DONG Energy Thermal Power A/S and DONG Energy Wind Power A/S. In addition to this the company sold a vessel to DONG Energy Wind Power A/S.

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

18 Related party transactions (continued)

Income and receivables from related parties

	Parent £	Minority shareholder £	Other related parties £
2015			
Sale of goods	59,916,861	59,860,862	-
Sale of property or other assets	-	-	3,700
	<u>59,916,861</u>	<u>59,860,862</u>	<u>3,700</u>
Amounts receivable from related party	<u>5,136,952</u>	<u>5,016,999</u>	<u>239</u>
2014			
Sale of goods	59,187,041	57,783,021	-
Sale of property or other assets	-	-	325,000
	<u>59,187,041</u>	<u>57,783,021</u>	<u>325,000</u>
Amounts receivable from related party	<u>6,861,316</u>	<u>7,420,515</u>	<u>-</u>

Expenditure with and payables to related parties

	Parent £	Other related parties £
2015		
Rendering of services	5,642,270	439,191
Transfers under license agreements	34,000	-
	<u>5,676,270</u>	<u>439,191</u>
Amounts payable to related party	<u>1,695,447</u>	<u>356,391</u>
2014		
Management services	4,083,590	421,385
Marine services	-	1,106,713
Finance charges	51,655	-
	<u>4,135,245</u>	<u>1,528,098</u>
Amounts payable to related party	<u>-</u>	<u>212,939</u>

Loans to related parties

	Parent £
2015	
Interest charged	<u>12,182</u>

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

19 Parent and ultimate parent undertaking

The immediate parent of the company is DONG Energy Power (UK) Limited which owns 50.1% of the ordinary share capital. Of the remaining 49.9% issued share capital, 25.1% belongs to SSE Renewables Holdings (UK) Limited and 24.8% belongs to OPW Holdco Limited.

The ultimate parent company is DONG Energy A/S, incorporated in Denmark. The Danish State currently holds 59% of the share capital of DONG Energy A/S (2014: 59%) and therefore the company considers the Danish Ministry of Finance the ultimate controlling party.

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

The consolidated financial statements of this company are available to the public from:

DONG Energy A/S
Kraftværksvej 53
Skærbæk
DK - 7000 Fredericia
Denmark

Walney (UK) Offshore Windfarms Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

20 Transition to FRS 101

After applying the transition exemptions and associated policies on transition from UKGAAP to FRS101, in note 2 Accounting Policies, the previously reported financial position and financial performance on transition date has not been remeasured. The income statement however has a reclass of an item previously disclosed as a exceptional item which is now reclassified under administrative expenses.

Profit and loss account for the year ended 31 December 2014

	Note	As originally reported £	Reclassification £	As restated £
Revenue	4	123,479,951	-	123,479,951
Cost of sales		<u>(78,768,905)</u>	<u>-</u>	<u>(78,768,905)</u>
Gross profit		44,711,046	-	44,711,046
Administrative expenses		<u>(25,977,334)</u>	1,820,919	<u>(24,156,415)</u>
Operating profit		<u>18,733,712</u>	1,820,919	<u>20,554,631</u>
Non-operating exceptional item		1,820,919	(1,820,919)	-
Finance income	7	800,075	-	800,075
Finance expenses	8	<u>(1,924,752)</u>	<u>-</u>	<u>(1,924,752)</u>
		<u>696,242</u>	<u>(1,820,919)</u>	<u>(1,124,677)</u>
Profit on ordinary activities before tax		19,429,954	-	19,429,954
Tax on profit on ordinary activities	9	<u>(17,929,713)</u>	<u>-</u>	<u>(17,929,713)</u>
Profit for the year		<u>1,500,241</u>	<u>-</u>	<u>1,500,241</u>