

# **Horizon Nuclear Power Wylfa Limited**

**Annual Report and Financial Statements  
for the year ended 31 March 2016**



**Registered Number 06811987**

# **Horizon Nuclear Power Wylfa Limited**

## **Annual Report and Financial Statements for the year ended 31 March 2016**

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### **Directors**

Stephen Gomersall  
Duncan Hawthorne  
Tatsuro Ishizuka  
Sang Hoon Lee  
Katsumi Nagasawa  
Timothy Stone  
Masahide Tanigaki  
Anthony Webb  
Greg Evans

### **Company Secretary**

Jonathan Cornelius

### **Auditor**

Ernst & Young LLP  
The Paragon  
Counterslip  
BRISTOL  
BS1 6BX

### **Registered Office**

Sunrise House  
1420 Charlton Court  
Gloucester Business Park  
Gloucester  
GL3 4AE

# **Horizon Nuclear Power Wylfa Limited**

## **Strategic report for the year ended 31 March 2016**

### **Principal activities and review of the business, including subsequent events**

#### ***Principal Activities***

Horizon Nuclear Power Wylfa Limited ("Horizon" or the "Company") is incorporated and domiciled in the UK. The principal activity of the Company is the development of low carbon electricity generation facilities, which currently includes the development of its land holdings at Wylfa towards the construction and operation of a new nuclear power plant. It will continue with these activities for the foreseeable future. The Company is a fully owned subsidiary of Horizon Nuclear Power Wylfa Holdings Limited which is a fully owned subsidiary of Horizon Nuclear Power Limited (the "Shareholder") along with Horizon Nuclear Power Oldbury Limited and Horizon Nuclear Power Services Limited. Together these companies form the Horizon Nuclear Power Group (the "Group").

#### ***Review of business***

Throughout the year the Company has continued to develop and progress Wylfa towards obtaining the necessary consents to construct and operate a new nuclear power plant. Going forward the Company will continue to develop the site at Wylfa, known as 'Wylfa Newydd', as well as considering investments in alternative low carbon electricity generation.

#### ***Site Development***

Following the first formal round of public consultation (PAC1) on the Wylfa Newydd project that was held in the previous financial year, a further interim consultation ran from January to March 2016 ahead of the second formal public consultation (PAC2) due later in 2016. Work is now underway to analyse the responses and build them into the development of the project, wherever possible. The public consultation process will form part of the main planning consent – the Development Consent Order – for the power station at Wylfa Newydd.

Site development activities have continued with key environmental and ecological studies necessary to support a future application to develop the site for the construction of a power plant. Archaeological work, further site surveys and off-shore ground investigations also commenced during the year.

#### ***Reactor Design***

The nuclear regulators (Office for Nuclear Regulation, Environment Agency and Natural Resources Wales) completed the Generic Design Assessment (GDA) Step 3 of the UK ABWR, in October 2015, and concluded that the assessment can proceed to the fourth and final Step. The process remains on track to complete by the end of 2017.

#### ***Electricity Market Reform***

The Company is continuing to work with the UK Government to ensure the electricity market works for large-scale independent power producers, such as Horizon, and will provide a viable route to market for our output. Discussions continued with the Department for Energy & Climate Change concerning a Contract for Difference for Wylfa Newydd, as well as with HM Treasury on support under the UK Guarantee Scheme.

#### ***Supply Chain***

In January 2015, Hitachi Ltd announced further steps in enhancing its UK presence for the Engineering, Procurement and Construction (EPC) of the Company's Wylfa Newydd project with the incorporation of a new UK company - Hitachi Nuclear Energy Europe, Ltd. - which will lead work in a proposed Tier-1 joint venture with potential partners Bechtel Management Company, Ltd. ("Bechtel") and JGC Corporation ("JGC"). An initial contract between the Company and the joint venture partners was placed May 2016. Ultimately, the joint venture partners will be responsible for the construction of Wylfa Newydd, overseen by Horizon.

## **Horizon Nuclear Power Wylfa Limited**

### **Strategic report for the year ended 31 March 2016 (continued)**

#### ***Review of business (continued)***

##### ***Subsequent events following the reporting period end***

No significant events have occurred between the reporting period end and the signing of these financial statements.

#### **Key Performance Indicators**

The principal key performance indicators the Company applies to manage its activities are cost optimisation and programme management against development milestones. Cost optimisation is managed by Horizon Group's Commercial and Finance departments. Programme management milestones are set at the start of each financial year and reviewed on a regular basis.

#### **Financial risk factors**

The management of the Company and the execution of the Company's strategy are subject to a number of risks. These are principally around the wider political and public acceptance of building new nuclear power plants, and specifically around obtaining the relevant licences and approvals to build and operate a nuclear power plant at the Company's site. The Company manages these risks through careful stakeholder involvement and monitoring against the project milestones.

In addition, the directors have identified the need to manage the Company's material financial risks, which are principally around cash flow and liquidity management. These risks are monitored by the Finance function which develops cash flow forecasts and funding schedules for the Company. The Company is funded by its Shareholder, which is itself funded by Hitachi, Limited (the "Ultimate Shareholder").

The Company's cash position is expected to satisfy any short-term liquidity requirements.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. No assets or liabilities at the end of the year are deemed to carry a significant cash flow risk.

The Company currently does not have any significant credit or market risks, and manages foreign exchange risk by hedging firm foreign currency commitments using forward foreign currency contracts.

## **Horizon Nuclear Power Wylfa Limited**

### **Strategic report for the year ended 31 March 2016 (continued)**

#### **Financial position**

The Company recorded a loss of £14,675k during the year covered by these financial statements (2015: loss of £15,323k). The Company's total asset position as at 31 March 2016 was £625,713k (2015: £480,890k).

#### **Distributions, capital raising and share repurchases**

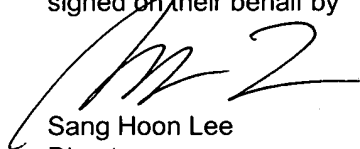
The Company issued 156,000,000 shares during the year in exchange for £156,000k cash consideration.

The directors do not propose a dividend for the year ended 31 March 2016 (2015: nil).

#### **Capital management**

Capital comprises equity attributable to the parent company. The current primary objective of the Company's capital management is to ensure the Company is adequately funded to meet its financial obligations as they fall due. This has normally been managed through two annual equity injections, calculated and timed in accordance with cash flow forecast information. The Ultimate Shareholder has confirmed that it will continue to provide funding to meet the financial obligations and liabilities of the Company as they fall due for at least the forthcoming twelve months from the date of approval of these financial statements.

The Strategic Report on pages 2 - 4 was approved by the Board of Directors on 24 June 2016 and signed on their behalf by



Sang Hoon Lee  
Director  
27 June 2016

## **Horizon Nuclear Power Wylfa Limited**

*Registered No = 06811987*

### **Directors' report for the year ended 31 March 2016**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2016.

#### **Assets**

Expenditure incurred by the Company that clearly supports the on-going project to obtain the power station designs, permissions and necessary site licences and consents, commercial agreements and organisational structure to enable the Company to build and subsequently operate a nuclear power station, as well as costs incurred in site preparation and power station construction, is all considered to be part of the cost of construction, and is capitalised as a tangible asset.

#### **Going concern basis**

The Ultimate Shareholder has confirmed that it will continue to provide funding to meet the financial obligations and liabilities of the Company as they fall due for at least the forthcoming twelve months from the date of approval of these financial statements. Accordingly, the directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements.

#### **Political donations**

No political donations were made by the Company during the year (twelve months to 31 March 2015: £nil).

#### **Employees**

The Company has no employees.

#### **Subsequent events following the reporting period end**

No significant events have occurred between the reporting period end and the signing of these financial statements.

#### **Directors and their interests**

The directors who held office during the year and to the date of this report were:

Stephen Gomersall  
Duncan Hawthorne  
Tatsuro Ishizuka (appointed 7 April 2015)  
Sang Hoon Lee  
Katsumi Nagasawa  
Timothy Stone  
Masahide Tanigaki  
Alan Raymant (appointed 1 July 2015; resigned 1 May 2016))  
Anthony Webb (appointed 1 July 2015)  
Greg Evans (appointed 1 July 2015)

Each director has no interest in the shares of the Company.

Three of the directors are employed by Horizon Nuclear Power Services Limited, an affiliate to the Company, and their full remuneration costs are recharged to the Company. The two non-executive directors are paid by the Horizon Nuclear Power Services Limited and their full remuneration costs are also recharged to the Company. The remaining directors are paid by other Hitachi group companies and it is not practical to separately identify their Service costs to the company.

## **Horizon Nuclear Power Wylfa Limited**

### **Directors' report for the year ended 31 March 2016 (continued)**

#### **Statement of Directors' responsibilities**

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 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 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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.

In accordance with Section 418, each director in office at the date the directors' report is approved, confirms that:

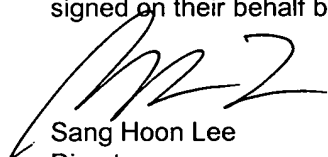
(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(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.

#### **Independent auditors**

Ernst and Young LLP have indicated their willingness to continue as auditors of the Company and to remain in office subject to the approval of the directors.

The Directors' Report on pages 5 - 6 was approved by the Board of Directors on 24 June 2016 and signed on their behalf by



Sang Hoon Lee  
Director  
27 June 2016

## **Horizon Nuclear Power Wylfa Limited**

### **Independent auditors' report to the members of Horizon Nuclear Power Wylfa Limited**

We have audited the financial statements of Horizon Nuclear Power Wylfa Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 17. 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.

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 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). 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 March 2016 and of its loss 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 requirements of the Companies Act 2006.

#### **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.

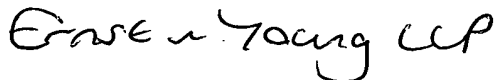
## **Horizon Nuclear Power Wylfa Limited**

### **Independent auditors' report to the members of Horizon Nuclear Power Wylfa Limited (continued)**

#### **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.



Jane Barwell (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

28 June 2016

# Horizon Nuclear Power Wylfa Limited

## Statement of comprehensive income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Other operating income		124	91
Operating costs	2	(14,608)	(15,567)
Exceptional operating costs	3	-	(30)
<b>Operating loss</b>		<b>(14,484)</b>	<b>(15,506)</b>
Finance income		244	199
Foreign exchange loss	6	(432)	(16)
Loss on sale of fixed assets		(3)	-
<b>Loss before tax on ordinary activities</b>		<b>(14,675)</b>	<b>(15,323)</b>
Tax on ordinary activities	7	-	-
<b>Loss for the period, attributable to equity shareholder</b>		<b>(14,675)</b>	<b>(15,323)</b>
<b>Other comprehensive income</b>			
Cash flow hedges:	14		
Losses incurred during the year		(2,579)	(1,341)
Reclassification adjustments for losses included in profit or loss		14	120
Adjustment for cash flow hedges transferred to the initial carrying amount of the hedged item		2,565	1,221
<b>Net Movement on cash flow hedges</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period, attributable to equity shareholder</b>		<b>(14,675)</b>	<b>(15,323)</b>

All amounts relate to continuing operations.

The notes on pages 13 to 29 form an integral part of these financial statements.

# Horizon Nuclear Power Wylfa Limited

## Statement of financial position as at 31 March 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	577,422	446,285
Intangible assets	9	4,366	3,328
		<b>581,788</b>	<b>449,613</b>
<b>Current Assets</b>			
Trade and other receivables	10	1,434	1,101
Cash and cash equivalents		42,491	30,176
		<b>43,925</b>	<b>31,277</b>
<b>Total assets</b>		<b>625,713</b>	<b>480,890</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholder</b>			
Share capital	11	744,000	588,000
Retained earnings		(134,588)	(119,913)
<b>Total equity</b>		<b>609,412</b>	<b>468,087</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	16	837	837
		<b>837</b>	<b>837</b>
<b>Current liabilities</b>			
Trade and other payables	12	15,464	11,966
		<b>15,464</b>	<b>11,966</b>
<b>Total liabilities</b>		<b>16,301</b>	<b>12,803</b>
<b>Total equity and liabilities</b>		<b>625,713</b>	<b>480,890</b>

The notes on pages 13 to 29 form an integral part of these financial statements.

The financial statements on pages 9 to 29 were approved and authorised for issue by the Board of Directors on 24 June 2016 and signed on its behalf by

  
Sang Hoon Lee  
Director  
27 June 2016

Horizon Nuclear Power Wylfa Limited  
Registered Number: 06811987

## Horizon Nuclear Power Wylfa Limited

### Statement of changes in equity for the year ended 31 March 2016

	<i>Note</i>	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 31 March 2015</b>		<b>588,000</b>	<b>(119,913)</b>	<b>468,087</b>
Total comprehensive loss for the year		-	(14,675)	(14,675)
Issue of share capital	11	156,000	-	156,000
<b>Balance at 31 March 2016</b>		<b>744,000</b>	<b>(134,588)</b>	<b>609,412</b>

Comparative figures are shown below for the twelve months to 31 March 2015.

	<i>Note</i>	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 31 December 2014</b>		<b>483,000</b>	<b>(104,590)</b>	<b>378,410</b>
Total comprehensive loss for the year		-	(15,323)	(15,323)
Issue of share capital	11	105,000	-	105,000
<b>Balance at 31 March 2015</b>		<b>588,000</b>	<b>(119,913)</b>	<b>468,087</b>

The notes on pages 13 to 29 form an integral part of these financial statements.

## Horizon Nuclear Power Wylfa Limited

### Statement of cash flow for the year ended 31 March 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Operating loss	(14,484)	(15,506)
Depreciation	322	280
Less capitalised depreciation	(247)	(184)
Amortisation	1,201	209
Less capitalised amortisation	(1,138)	(98)
Adjustment for impairment of non-current assets	-	30
Foreign exchange loss	(432)	(16)
Increase in receivables	(333)	(520)
Increase in payables	3,498	3,343
<b>Net cash used in operating activities</b>	<b>(11,613)</b>	<b>(12,462)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(131,459)	(94,296)
Less non cash PPE additions (capitalised depreciation)	247	184
Disposal of property, plant and equipment	-	53
Purchases of intangible assets	(2,243)	(1,484)
Less non cash intangible asset additions (capitalised amortisation)	1,139	98
<b>Net cash used in investing activities</b>	<b>(132,316)</b>	<b>(95,445)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	156,000	105,000
Interest income	244	199
<b>Net cash generated from financing activities</b>	<b>156,244</b>	<b>105,199</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>12,315</b>	<b>(2,708)</b>
Cash and cash equivalents at beginning of period	30,176	32,884
<b>Cash and cash equivalents at end of period</b>	<b>42,491</b>	<b>30,176</b>

The notes on pages 13 to 29 form an integral part of these financial statements.

# **Horizon Nuclear Power Wylfa Limited**

## **Notes to the financial statements for the year ended 31 March 2016**

### **1 Accounting policies**

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 periods presented, unless otherwise stated.

These financial statements provide financial data for the year ended 31 March 2016.

#### **Basis of preparation**

These financial statements are prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared 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 where appropriate.

#### **Going Concern**

The Ultimate Shareholder has confirmed that it will continue to provide funding to meet the financial obligations and liabilities of the Company as they fall due for at least the forthcoming twelve months from the date of approval of these financial statements.

Accordingly, the directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements.

#### **Foreign currency translation**

The financial statements are presented in sterling, which is the Company's functional currency and the Shareholder's presentation currency.

Other foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction or valuation, where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such 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 within other expenses.

# **Horizon Nuclear Power Wylfa Limited**

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Property, plant and equipment**

Land comprises the Company's landholdings at Wylfa, and is shown at cost.

Freehold land and long leasehold land is not depreciated. The Company's long leasehold land is leased over 999 years, and therefore it is seen fit to treat it consistently with freehold land. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives of the assets.

All other property, plant and equipment are shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and is 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Expenditure incurred by the Company that clearly supports the on-going project to obtain the power station designs, permissions and necessary site licences and consents, commercial agreements and organisational structure to enable the Company to build and subsequently operate a nuclear power station, as well as costs incurred in site preparation and power station construction, is all considered to be part of the cost of construction, and is capitalised as a tangible asset. The asset and/or component assets will be classified as an asset under construction at cost until they are ready to be brought into productive use. Depreciation will not start until the assets are brought into use. Where assets are ultimately deemed to be part of the construction of the power station, depreciation of assets already brought into use will be recapitalised as part of the costs to construct the power station.;

Ranges of estimated useful lives are as follows:

Buildings	10 - 40 years
Vehicles	4 years

#### **Intangible assets**

Software purchased or developed by the Company for own use is capitalised as an intangible asset at cost and amortised over its estimated useful life, using the straight line method usually considered to be 3 years. Where assets are ultimately deemed to be part of the construction of the power station, depreciation of assets already brought into use will be recapitalised as part of the costs to construct the power station.

#### **Impairment**

At each reporting period end date and throughout the year the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In this event, the recoverable amount of the asset is estimated to determine the extent of the loss, and any impairment loss is recognised immediately in the statement of comprehensive income for the financial period.

# **Horizon Nuclear Power Wylfa Limited**

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and if there is objective evidence that the Company will not collect the full amount of the receivable, this is recognised through the statement of comprehensive income. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

#### **Cash and cash equivalents**

Cash and cash equivalents represent cash in hand and at bank, and cash held to the Company's order within its agents' accounts, for example solicitors and land agents.

#### **Share capital**

Ordinary shares are classified as equity.

#### **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

#### **Provisions**

Provisions are recognised when; the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

#### **Financial instruments**

The Company classifies its financial instruments into the following categories:

- Loans and receivables
- Derivative instruments
- Financial assets available for sale
- Liabilities at amortised cost

The classification is dependent on the purpose for which the financial asset is acquired or liability incurred. Management determines the classification of its financial assets or financial liabilities at the time of the initial recognition and re-evaluates such designation at least at each reporting date.

On initial recognition, financial instruments are measured at fair value plus, in the case of financial instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent measurement is recognised directly through profit and loss.

## **Horizon Nuclear Power Wylfa Limited**

### **Notes to the financial statements for the year ended 31 March 2016 (continued)**

#### **1 Accounting policies (continued)**

##### **Financial instruments (continued)**

Horizon has elected to adopt hedge accounting for certain foreign currency derivative transactions which may otherwise cause significant fair value or foreign exchange volatility in the income statement. This will usually apply to high value or long lead hedges and will be determined on a case by case basis. Hedge accounting allows management to eliminate or reduce the income statement volatility that otherwise would arise if the hedging instruments were accounted for through profit or loss, without regard to the hedge's risk management purpose. Horizon has therefore designated certain foreign currency derivatives, in respect of foreign currency risk, as cash flow hedges of forecast foreign currency purchases. For cash flow hedges, the effective portion of changes in the fair value of eligible derivatives that are designated as hedging instruments is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when Horizon revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Other foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction or valuation, where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such 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 within other expenses.

# **Horizon Nuclear Power Wylfa Limited**

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Current and deferred income tax**

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting period end date in the United Kingdom. Management periodically evaluate 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting period end 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.

Deferred tax liabilities are not recognised if the temporary difference arises from goodwill.

## Horizon Nuclear Power Wylfa Limited

### Notes to the financial statements for the year ended 31 March 2016 (continued)

#### 1 Accounting policies (continued)

##### Recent accounting developments

At the date of authorisation of the financial statements of Horizon Nuclear Power Limited for the year ended 31 March 2016, the following Standards and Interpretations relevant to the business of the Group were in issue but not yet effective:

Standard/Interpretation		Effective date
IFRS 9 Financial Instruments (issued in 2010)	May early adopt	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 7 and IFRS 9 Mandatory Effective Date and Transition Disclosures	May early adopt	Annual periods beginning on or after 1 January 2018
Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39	May early adopt	Annual periods beginning on or after 1 January 2018
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	May early adopt	Annual periods beginning on or after 1 January 2016
IFRS 15 Revenue from Contracts with Customers	May early adopt	Annual periods beginning on or after 1 January 2018
IFRS 9 Financial Instruments (issued in 2014)	May early adopt	Annual periods beginning on or after 1 January 2018
Annual Improvements to IFRSs 2012-2014 Cycle	May early adopt	Annual periods beginning on or after 1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities : Applying the Consolidation Exception	May early adopt	Annual periods beginning on or after 1 January 2016
Amendments to IAS 1 – Disclosure Initiative	May early adopt	Annual periods beginning on or after 1 January 2016
IFRS 16 Leases	May early adopt	Annual periods beginning on or after 1 January 2019
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	May early adopt	Annual periods beginning on or after 1 January 2017
Amendments to IAS 7 - Disclosure Initiative	May early adopt	Annual periods beginning on or after 1 January 2017

The Company has considered the above new standards, interpretations and amendments to published standards that are not yet effective. The Company has concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements.

## Horizon Nuclear Power Wylfa Limited

### Notes to the financial statements for the year ended 31 March 2016 (continued)

#### 1 Accounting policies (continued)

##### Financial risk factors

Details about the Company's assessment of financial risk factors are included within the Strategic Report on page 3.

##### Significant accounting estimates and judgements

Preparation of financial statements pursuant to IFRS requires assumptions and estimates to be made, which have an impact on the recognised value of the assets and liabilities carried on the statement of financial position, on income and expenses, and on the disclosure of contingent liabilities.

All assumptions and estimates are based on the circumstances and forecasts prevailing on the reporting period end date. Although management uses its best estimates and judgements, actual results could differ from these estimates as future confirming events occur. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

##### *Capitalisation of project costs*

Expenditure incurred by the Company that clearly supports the on-going project to obtain the power station designs, permissions and necessary site licences and consents, commercial agreements and organisational structure to enable the Company to build and subsequently operate a nuclear power station, as well as costs incurred in site preparation and power station construction, is all considered to be part of the cost of construction, and is capitalised as a tangible asset. The asset and/or component assets will be classified as an asset under construction at cost until they are ready to be brought into productive use. The judgements required to determine the classification of these costs are based on the exact nature of the cost, historical experience and other reasonable factors.

##### *Provisions*

The Group has recognised provisions for land overage payments in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

#### 2 Operating costs

	2016 £'000	2015 £'000
Depreciation	137	96
Amortisation	-	111
Current year service fee payable to affiliate company	12,708	12,703
Other expenses	1,763	2,657
<b>Total operating costs</b>	<b>14,608</b>	<b>15,567</b>

## Horizon Nuclear Power Wylfa Limited

### Notes to the financial statements for the year ended 31 March 2016 (continued)

#### 3 Exceptional operating costs

	2016 £'000	2015 £'000
Impairment of property, plant and equipment (note 8) (i)	-	30
<b>Total exceptional operating costs</b>	<b>-</b>	<b>30</b>

(i) As part of a regular impairment review management have ascertained that specific assets totalling Nil (twelve months to 31 March 2015: £30k) hold no enduring value to the business (note 8).

#### 4 Auditors' remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the financial statements	15	14

#### 5 Employee benefits and Directors' remuneration

The Company does not employ any staff.

Three of the directors of are employed by Horizon Nuclear Power Services Limited, an affiliate to the Company, and their full remuneration costs are recharged to the Company totalling £570k (2015: nil). The two non-executive directors are paid by the Horizon Nuclear Power Services Limited and their full remuneration costs are also recharged to the Company totalling £97k (2014: £68k). The remaining directors are paid by other Hitachi group companies and it is not practical to separately identify their Service costs to the company. Horizon Nuclear Power Services Limited recharges to the Company a management charge from Hitachi Europe Limited totalling £748k (2015: £748k) which includes the value of the services provided by these directors.

The emoluments in relation to the highest paid Director recharged to the Company total £256k (2015: nil).

#### 6 Foreign exchange loss

	2016 £'000	2015 £'000
Foreign exchange (losses)/gains	(418)	83
Loss on ineffective portion of Hedge	(14)	(99)
<b>Finance exchange loss</b>	<b>(432)</b>	<b>(16)</b>

# Horizon Nuclear Power Wylfa Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 7 Tax on ordinary activities

	2016 £'000	2015 £'000
Current tax on loss	-	-
Current tax – adjustment in respect of prior period	-	-
<b>Income Tax credit</b>	<b>-</b>	<b>-</b>

	2016 £'000	2015 £'000
<b>Loss before tax</b>	<b>(14,675)</b>	<b>(15,323)</b>
Tax credit calculated at standard rate of corporation tax of 20% (2015: 21%)	(2,935)	(3,218)
Tax effects of:		
- Pre-trading expenditure for which no deferred income tax asset was recognised	2,974	3,213
- Non deductible expenditure	28	50
- Utilisation of tax losses brought forward on which no deferred tax was recognised	(67)	(45)
- Adjustment in respect of prior periods	-	-
<b>Tax credit</b>	<b>-</b>	<b>-</b>

At the balance sheet date the Company has temporary differences including pre-trading expenditure carried forward of £127,255k (2015 £112,402k) and non-trading expenditure carried forward of £6,831k (2015 £5,964) on which no deferred tax has been recognised.

The main rate of corporation tax has been aligned with the small profits rate at 20% with effect from 1 April 2015. A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

# Horizon Nuclear Power Wylfa Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 8 Property, plant and equipment

	Freehold land £'000	Lease- hold land £'000	Freehold building £'000	Fixtures & fittings £'000	IT equip- ment £'000	Vehicle £'000	Power station AUC £'000	Total £'000
<b>Cost</b>								
Balance at 31 March 2015	118,143	161,324	700	14	611	38	165,871	446,701
Additions	860	-	853	-	230	-	129,516	131,459
<b>Balance at 31 March 2016</b>	<b>119,003</b>	<b>161,324</b>	<b>1,553</b>	<b>14</b>	<b>841</b>	<b>38</b>	<b>295,387</b>	<b>578,160</b>
<b>Accumulated Depreciation</b>								
Balance at 31 March 2015	-	-	(183)	(4)	(212)	(17)	-	(416)
Charge for year	-	-	(76)	(4)	(235)	(7)	-	(322)
<b>Balance at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>(259)</b>	<b>(8)</b>	<b>(447)</b>	<b>(24)</b>	<b>-</b>	<b>(738)</b>
<b>Net book value</b>								
Balance at 31 March 2015	118,143	161,324	517	10	399	21	165,871	446,285
<b>Balance at 31 March 2016</b>	<b>119,003</b>	<b>161,324</b>	<b>1,294</b>	<b>6</b>	<b>394</b>	<b>14</b>	<b>295,387</b>	<b>577,422</b>

Certain freehold buildings owned by the Company been assessed as having a limited economic life and are depreciated over 10 years.

# Horizon Nuclear Power Wylfa Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 8 Property, plant and equipment (continued)

Comparative figures are shown below for the twelve months to 31 March 2015.

	Freehold land £'000	Lease- hold land £'000	Freehold building £'000	Fixtures & fittings £'000	IT equip- -ment £'000	Vehicle £'000	Power station AUC £'000	Total £'000
<b>Cost</b>								
Balance at 31 March 2014	118,146	161,324	654	14	333	17	72,000	352,488
Additions	171	-	-	-	278	21	93,826	94,296
Impairment	(30)	-	-	-	-	-	-	(30)
Disposals	(53)	-	-	-	-	-	-	(53)
Reclassification	(91)	-	46	-	-	-	45	-
<b>Balance at 31 March 2015</b>	<b>118,143</b>	<b>161,324</b>	<b>700</b>	<b>14</b>	<b>611</b>	<b>38</b>	<b>165,871</b>	<b>446,701</b>
<b>Accumulated Depreciation</b>								
Balance at 31 March 2014	-	-	(115)	-	(11)	(10)	-	(136)
Charge for year	-	-	(68)	(4)	(201)	(7)	-	(280)
<b>Balance at 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>(183)</b>	<b>(4)</b>	<b>(212)</b>	<b>(17)</b>	<b>-</b>	<b>(416)</b>
<b>Net book value</b>								
Balance at 31 March 2014	118,146	161,324	539	14	322	7	72,000	352,352
<b>Balance at 31 March 2015</b>	<b>118,143</b>	<b>161,324</b>	<b>517</b>	<b>10</b>	<b>399</b>	<b>21</b>	<b>165,871</b>	<b>446,285</b>

# Horizon Nuclear Power Wylfa Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 9 Intangible assets

	Software £'000	Total £'000
<b>Cost</b>		
Balance at 31 March 2015	3,539	3,539
Additions	2,243	2,243
Disposals	(8)	(8)
<b>Balance at 31 March 2016</b>	<b>5,774</b>	<b>5,774</b>
<b>Accumulated Amortisation</b>		
Balance at 31 March 2015	(211)	(211)
Charge for year	(1,201)	(1,201)
Disposals	4	4
<b>Balance at 31 March 2016</b>	<b>(1,408)</b>	<b>(1,408)</b>
<b>Net book value</b>		
Balance at 31 March 2015	3,328	3,328
<b>Balance at 31 March 2016</b>	<b>4,366</b>	<b>4,366</b>

Comparative figures are shown below for the twelve months to 31 March 2015.

	Software £'000	Total £'000
<b>Cost</b>		
Balance at 31 March 2014	2,055	2,055
Additions	1,484	1,484
<b>Balance at 31 March 2015</b>	<b>3,539</b>	<b>3,539</b>
<b>Accumulated Amortisation</b>		
Balance at 31 March 2014	(2)	(2)
Charge for year	(209)	(209)
<b>Balance at 31 March 2015</b>	<b>(211)</b>	<b>(211)</b>
<b>Net book value</b>		
Balance at 31 March 2014	2,053	2,053
<b>Balance at 31 March 2015</b>	<b>3,328</b>	<b>3,328</b>

# Horizon Nuclear Power Wylfa Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 10 Trade and other receivables

	2016 £'000	2015 £'000
Prepayments	79	33
Other receivables	1,355	1,068
<b>Trade and other receivables</b>	<b>1,434</b>	<b>1,101</b>

### 11 Share capital

	Number of shares issued '000	Ordinary shares £'000
Balance at 31 March 2015	588,000	588,000
Issue of share capital	156,000	156,000
<b>Balance at 31 March 2016</b>	<b>744,000</b>	<b>744,000</b>

The total authorised number of ordinary shares is 1,000,000,000 shares of £1.00 each. The issued and paid ordinary share capital is 744,000,001 shares.

The Company issued 156,000,000 ordinary shares during the year in exchange for £156,000k cash. In 2015 the company issued 105,000,000 ordinary shares for a cash consideration of £105,000k.

Comparative figures are shown below for the twelve month period to 31 March 2015.

	Number of shares issued '000	Ordinary shares £'000
Balance at 31 March 2014	483,000	483,000
Issue of share capital	105,000	105,000
<b>Balance at 31 March 2015</b>	<b>588,000</b>	<b>588,000</b>

## Horizon Nuclear Power Wylfa Limited

### Notes to the financial statements for the year ended 31 March 2016 (continued)

#### 12 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	1,875	1,433
Amounts due to related parties (see note 15)	4,083	3,087
Accrued expenses and deferred income	9,506	7,446
<b>Trade and other payables</b>	<b>15,464</b>	<b>11,966</b>

#### 13 Commitments, contingent assets and contingent liabilities

Capital expenditure contracted for at the end of the year but contingent on a number of conditions is as follows:

	2016 £'000	2015 £'000
<i>Contingent Assets</i>		
Freehold land	15,334	15,080
<b>Total</b>	<b>15,334</b>	<b>15,080</b>
<i>Contingent Liabilities</i>		
Balance due to third parties in respect of freehold land	(15,334)	(15,080)
<b>Total</b>	<b>(15,334)</b>	<b>(15,080)</b>

The Company has entered into further land transactions which give rise to contingent liabilities and associated contingent assets. The Company is liable to pay up to £15,334k (2015: £15,080k) upon exercise of land options to third parties in consideration of the freehold land. The timing of these payments is uncertain.

## **Horizon Nuclear Power Wylfa Limited**

### **Notes to the financial statements for the year ended 31 March 2016 (continued)**

#### **14 Financial risk management**

The Company has exposure to risks from its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing financial risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at the 31 March 2016, the Company has been financed with equity injections from the Company's Ultimate Shareholder.

##### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity input prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company buys foreign currency derivatives in order to manage market risks. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Company has exposure to currency risk.

##### **Currency risk**

The Company is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Company entities. The Company is primarily exposed to the Japanese Yen.

The Company has hedged its foreign currency exposure in respect to its front end engineering design contract which ran from April 2015 to March 2016 as supplied by a group company in Japan.

There are no open F.E.C's (Forward Exchange Contracts) as at the 31 March 2016.

In respect of transactions not covered by forward exchange contracts or other monetary assets and liabilities denominated in foreign currencies that arise in the normal course, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

The fair values of cash and short term deposits, trade receivables, other receivables, trade payables and other current liabilities approximate to their carrying value, largely because of their short term nature.

## Horizon Nuclear Power Wylfa Limited

### Notes to the financial statements for the year ended 31 March 2016 (continued)

#### 15 Related party transactions

Under the terms of its Service level agreement with its affiliate, Horizon Nuclear Power Services Limited, the Company pays Horizon Nuclear Power Services Limited a monthly fee to cover nuclear power station project delivery costs and general and administrative service costs on a cost plus basis. Amounts payable in the year ended 31 March 2016 under this contract totalled £60,477k in relation to services provided in the year ended 31 March 2016. This was offset by direct cost recharges of £1,462k made by Wylfa to Horizon Nuclear Power Services Limited in the year.

Under its contract with Hitachi-GE Nuclear Energy Limited for front-end engineering and design of the Wylfa power station, the Company incurred £44,268k of costs for the year ended 31 March 2016, all of which were invoiced and £44,011 paid by the year end reporting date. The Company also received consultancy support services from Hitachi Consulting UK Limited.

Other related party transactions relate to cash balance transfers and direct cost recharges.

Transactions between related parties are on an arms' length basis under normal commercial terms. Payables to non-Horizon Group companies are normally due within 30 days of invoice date. Payables and receivables between Horizon Group companies do not normally have fixed payment dates, with the exception of the service fee charge from Horizon Nuclear Power Services Limited, which is payable within 30 days of invoice date.

	<b>31 March 2016 £'000</b>	<b>31 March 2015 £'000</b>
<i>Value of costs/(income) transferred during the Period:</i>		
- from Horizon Nuclear Power Services Limited	59,015	37,774
- to Horizon Nuclear Power Oldbury Limited	-	(4)
- from Hitachi Consulting UK Limited	605	417
- from Hitachi-GE Nuclear Energy Limited	44,268	34,380
<i>Period-end balance arising from transfer of costs:</i>		
- payable to Horizon Nuclear Power Services Limited	(3,459)	(2,973)
- payable to Horizon Nuclear Power Oldbury Limited	(44)	(44)
- payable to Hitachi Consulting UK Limited	(323)	(70)
- payable to Hitachi-GE Nuclear Energy Limited	(257)	-
- receivable from Hitachi Nuclear Power Wylfa Holdings Limited	5	-

## Horizon Nuclear Power Wylfa Limited

### Notes to the financial statements for the year ended 31 March 2016 (continued)

#### 16 Provisions

The Company has entered into a number of property transactions which attract future payments of uncertain timing and/or amount. These have been provided for and represent either payments which are payable on relocation of the vendor, or overage payments that are payable upon the Company obtaining a Development Consent Order ("DCO"). Current expectation is that no payment will be made within the next 12 months and therefore the provision is considered to be non-current at 31 March 2016.

	Overage payments £'000	Total £'000
At 31 March 2015	837	837
<b>At 31 March 2016</b>	<b>837</b>	<b>837</b>

#### 17 Ultimate parent undertaking

The immediate parent undertaking and smallest group to consolidate these financial statements is Horizon Nuclear Power Wylfa Holdings Limited. Copies of Horizon Nuclear Power Wylfa Holdings Limited consolidated financial statements can be obtained from: Sunrise House, 1420 Charlton Court, Gloucester Business Park, Gloucester, GL3 4AE.

The ultimate parent undertaking and largest group to consolidate these financial statements is Hitachi, Limited incorporated in Japan. Copies of Hitachi, Limited consolidated financial statements can be obtained from: 6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, 100-8280 Japan.