

OPW Holdco Limited
Annual report and financial statements
Registered number 07254492
31 December 2016

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Strategic Report

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

Business review

OPW Holdco Limited's 24.8% share of the generation was 277 GWh. The company generated turnover for the year of £39,442,000 (2015: £42,362,000) and made an operating loss for the year of £4,266,000 (2015: £10,137,000 profit).

During the year, the company refinanced its loan facilities resulting in a reduction of the overall interest rate and an extension of the term.

On 4th December 2015, the export cable for the Walney 2 Project failed, resulting in the loss of output for 51 of the 102 turbines. The export cable repair is the responsibility of the Offshore Transmission Owner (OFTO). The repair of the cable was completed by 19th March 2016 and Walney 2 has been operational since that date. The output from the 51 Walney 1 turbines was unaffected.

OPW holds business interruption insurance which covers all operating and debt service costs during the period of any outage, subject to a 45 day deductible and a maximum 18 month indemnity period.

During the year compensation was received amounting to £7,517,000 in respect of the loss of output due to the export cable outage and the wake effect of a neighbouring windfarm. This amount has been recognised in these consolidated financial statements within turnover.

Principal risks and uncertainties

The company's activities expose it to a number of financial risks.

Credit risk

The company's credit risk is primarily attributable to recoverability of its debtors, including trade debtors.

Liquidity risk

In order to maintain liquidity and ensure that sufficient funds are available to meet its financial commitments, the company relies on extensive cash flow forecasting.

The company uses the cash flow forecasts to ensure that both the principal and interest payments in respect of its debt position are covered by sufficient incoming cash flows.

Interest risk

The company uses derivatives, including interest rate swaps, to manage its exposure to interest rate movements on its bank borrowings.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Volume and price risk

The company has an agreement with the company in which it holds an investment, Walney (UK) Offshore Wind Farms Limited, to purchase electricity at an indexed fixed annual price irrespective of volume. The company also has an agreement with its customer to sell the electricity at variable prices linked to the LEBA (London Energy Brokers' Association) Index.

By order of the board



Charles Herriott
Director

Date: 30 June 2017

Directors' Report

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

Principal activity

The principal activities of the company are as a holding company for an investment in Walney (UK) Offshore Windfarms Limited, and the resale of its share of the electricity generated by this undertaking.

Results and proposed dividend

The loss for the year, after taxation, amounted to £4,036,000 (2015: £10,728,000 profit).

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

Mr E J van de Brake (resigned 6 October 2016)

Mrs A Roshier (resigned 23 February 2016)

Mr C Herriott (appointed 2 March 2016)

Ms C B A van Heijningen (appointed 6 October 2016)

Financial instruments

Details of the company's financial risk management objectives and policies, including its use of financial instruments and the key risks to which it is exposed, are included in the strategic report on page 1.

Political contributions

Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Charles Herriott
Director

Unit 2a, Century Mews
100A Church Road
Tiptree, Essex
CO5 0AB

Date: 30 June 2017

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of OPW Holdco Limited

We have audited the financial statements of OPW Holdco Limited for the year ended 31 December 2016, set out on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 5, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of OPW Holdco Limited

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.

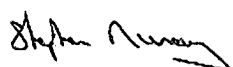
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Stephen Muncey (Senior Statutory Auditor)
for and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
Statutory Auditor
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 30 June 2017

**Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2016**

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	39,442	42,362
Cost of sales		(29,981)	(29,609)
Gross profit		1,944	12,753
Administrative expenses		(5,195)	(2,616)
Operating profit		4,266	10,137
Income from participating interests	7	17,182	17,722
Other interest receivable and similar income	8	70	1,814
Interest payable and similar charges	9	(25,554)	(18,945)
(Loss)/profit on ordinary activities before taxation		(4,036)	10,728
Tax on profit on ordinary activities	10	-	-
(Loss)/profit for the financial year		(4,036)	10,728
Other comprehensive income			
Other comprehensive income for the year net of income tax		-	-
Total comprehensive income for the year		(4,036)	10,728

The notes on pages 11 to 29 form part of the financial statements.

Balance Sheet
At 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	11	282,274	282,274
Current assets			
Debtors	12	5,717	4,581
Cash at bank and in hand		6,209	23,201
Creditors: amounts falling due within one year	13	(18,501)	(37,774)
Net current liabilities		(6,575)	(9,992)
Total assets less current liabilities		275,699	272,282
Creditors: amounts falling due after more than one year	14	(253,582)	(246,129)
Net assets		22,117	26,153
Capital and reserves			
Called up share capital	18	15,413	15,413
Profit and loss account		6,704	10,740
Shareholders' funds		22,117	26,153

These financial statements were approved by the board of directors on 30 June 2017 and were signed on its behalf by:



Charles Herriott
Director

Company registered number: 07254492

The notes on pages 11 to 29 form part of the financial statements.

Statement of Changes in Equity

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	15,413	12	15,425
Total comprehensive income for the period	-	10,728	10,728
Balance at 31 December 2015	15,413	10,740	26,153

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	15,413	10,740	26,153
Total comprehensive income for the period	-	(4,036)	(4,036)
Balance at 31 December 2016	15,413	6,704	22,117
Set aside for dividends declared after the reporting period		-	-
Total		6,704	22,117

The notes on pages 11 to 29 form part of the financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

OPW Holdco Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK. The address of the registered office is Unit 2a, Century Mews, 100A Church Road, Tiptree, Essex, CO5 0AB.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, Companies Act and FRC Abstracts. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The directors reserve the right to voluntarily amend the financial statements if they prove to be defective in accordance with section 454 of the Companies Act 2006.

The Company's ultimate parent undertaking, OPW Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of OPW Topco Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

At the period end the company had net current liabilities of £6,575,000 (2015: £9,992,000) including cash balances of £6,209,000 (2015: £23,201,000). Net assets at the same date were £22,117,000 (2015: £26,153,000). The financial forecasts prepared by the directors show that the company has the capacity to meet its interest and debt repayment obligations as scheduled for at least 12 months from the date of signature of these financial statements. The directors, therefore, consider it appropriate to prepare the financial statements on the going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.3 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in associates

These are separate financial statements of the company. Investments in associates are carried at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit or loss (even if those gains would normally be recognised directly in reserves).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in the profit or loss the hedging gain or loss is reclassified to the profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.5 Other financial instruments (continued)

Cash flow hedges (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit or loss immediately.

1.6 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Impairment excluding stocks and deferred tax assets *(continued)*

Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Turnover

Turnover is the amount derived from the resale of the company's share of electricity generated by Walney (UK) Offshore Windfarms Limited and associated renewable certificates and embedded benefits measured at the fair value of consideration received or receivable net of value added tax.

Turnover (except for the recycled element of the ROC price) is recognised where there is a signed unconditional contract of sale and is based upon the quantity of electricity exported and the contracted rate on the date of generation.

The ROC price invoiced each month includes an estimate of the ROC recycling value which is published by Ofgem in October each year for the preceding RO compliance year ended 31 March. The final ROC recycling value is dependent on a number of factors affecting the UK renewable market, including UK electricity demand, targets set for renewable energy generation and the amount of ROCs generated. The ROC recycling amount invoiced monthly in advance is deferred in the statutory accounts and released to the profit and loss account following notification of the final amount. A reconciliation is performed annually to ensure the actual amount invoiced for the compliance year is in accordance with the amount published by Ofgem.

1.8 Expenses

Interest receivable and Interest payable

Interest income and interest payable, including finance charges on shares treated as liabilities, are recognised in profit or loss as they accrue, using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

Notes (continued)

1 Accounting policies (continued)

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2016	2015
	£000	£000
Sale of goods	39,442	42,362
Total turnover	39,442	42,362
By activity		
Electricity sold	39,442	42,362
	39,442	42,362

Notes (continued)

2 Turnover (continued)

	2016 £000	2015 £000
By geographical market		
United Kingdom	-	-
Rest of the European Union	39,442	42,362
	<u>39,442</u>	<u>42,362</u>

On 4th December 2015, the export cable for the Walney 2 Project failed, resulting in the loss of output for 51 of the 102 turbines. The export cable repair is the responsibility of the Offshore Transmission Owner (OFTO). The repair of the cable was completed by 19th March 2016 and Walney 2 has been operational since that date. The output from the 51 Walney 1 turbines was unaffected.

OPW holds business interruption insurance which covers all operating and debt service costs during the period of any outage, subject to a 45 day deductible and a maximum 18 month indemnity period.

During the year compensation was received amounting to £7,517,000 in respect of the loss of output due to the export cable outage and the wake effect of a neighbouring windfarm. This amount has been recognised in these consolidated financial statements within turnover and is analysed as income from electricity sold.

3 Expenses and auditors' remuneration

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	25	18

4 Staff numbers

The company has no employees (2015: nil).

5 Directors' remuneration

No Key Management Personnel received any remuneration from the group for their services during the year (2015: £nil).

Notes (continued)

7 Income from participating interests

	2016 £000	2015 £000
Dividend income from associates	17,182	17,722
	<u>17,182</u>	<u>17,722</u>

8 Other interest receivable and similar income

	2016 £000	2015 £000
Net gain on financial assets measured at fair value through profit or loss	-	1,670
Interest receivable on financial assets at amortised cost	70	144
	<u>70</u>	<u>1,814</u>

9 Interest payable and similar charges

	2016 £000	2015 £000
Net loss on financial assets measured at fair value through profit or loss	8,222	-
Interest payable on financial liabilities at amortised cost	17,332	18,945
	<u>25,554</u>	<u>18,945</u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £8,059,000 (2015: £8,677,000) and on all other loans of £9,273,000 (2015: £10,268,000). Of the above amount £9,273,000 (2015: £9,248,000) was payable to group undertakings.

Notes (continued)

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	£000	2015 £000	£000
<i>Current tax</i>				
Current tax on income for the period		-		-
Adjustments in respect of prior periods		-		-
Total current tax		-		-
<i>Deferred tax (see note 17)</i>				
Origination and reversal of timing differences	-		-	
Change in tax rate	-		-	
Total deferred tax	-			-
Tax expense/(income) relating to changes in accounting policies and material error		-		-
Total tax		-		-

	£000	2016 £000	£000	£000	2015 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	-	-	-	-	-	-
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	-	-	-	-	-	-

Notes (continued)

10 Taxation (continued)

Total tax expense recognised in the profit and loss account, other comprehensive income and equity (continued)

Analysis of current tax recognised in profit and loss

	2016 £000	2015 £000
UK corporation tax	-	-
Double taxation relief	-	-
Foreign tax	-	-
	<hr/>	<hr/>
Total current tax recognised in profit and loss	-	-
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of effective tax rate

	2016 £000	2015 £000
Loss/(profit) for the year	(4,036)	10,728
Total tax expense	-	-
	<hr/>	<hr/>
(Loss)/profit excluding taxation	(4,036)	10,728
Tax using the UK corporation tax rate of 20.00% (2015: 20.00%)	(807)	2,145
Non-deductible expenses	2,078	1,516
Tax exempt revenues	(3,436)	(3,544)
Group relief	-	(117)
Under / (over) provided in prior years	-	-
Current year losses for which no deferred tax asset was recognised	2,165	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	-	-
	<hr/> <hr/>	<hr/> <hr/>

The main rate has been reduced to 20% for the financial years 2015 and 2016. It was also announced in the March 2016 budget that the main rate will reduce to 19% for financial years from 2017 and 17% for financial years from 2020.

Notes (continued)

11 Fixed asset investments

	Participating interests	
	2016	2015
	£000	£000
Cost		
At beginning of year	282,274	282,274
Additions	-	-
Disposals	-	-
At end of year	282,274	282,274
Provisions		
At beginning of year	-	-
Provided in year	-	-
Disposals	-	-
At end of year	-	-
Net book value		
At 1 January	282,274	282,274
At 31 December	282,274	282,274

The Company has the following investments in associates:

	Country of incorporation	Class of shares held	Number of shares held		Percentage ownership	
			2016	2015	2016	2015
Walney (UK) Offshore Windfarms Limited	UK	£1 Ordinary	5,208	4,712	24.8%	24.8%

	Aggregate of capital and reserves		Profit for the year	
	2016	2015	2016	2015
	£000	£000	£000	£000
Walney (UK) Offshore Windfarms Limited	701,389	763,296	7,093	17,473

On 20 December 2010, OPW Holdco Limited (OPWH) entered into a Sale and Purchase Agreement (SPA) with Dong Energy Power (UK) Limited (DEP) for the purchase of 24.8% of the ordinary shares of Walney (UK) Offshore Windfarms Limited. On the same day OPWH and DEP entered into a Bilateral Shareholders' Agreement (SHA) to govern certain matters with respect to their shareholdings.

Notes (continued)

12 Debtors

	2016	2015
	£000	£000
Trade debtors	2,444	2,237
Amounts owed by group undertakings	164	159
Other debtors	91	24
Prepayments and accrued income	3,018	2,161
	<u>5,717</u>	<u>4,581</u>
	<u>5,717</u>	<u>4,581</u>
Due within one year	5,717	4,581
Due after more than one year	-	-
	<u>5,717</u>	<u>4,581</u>

13 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank loans and overdrafts (see note 15)	8,104	13,214
Trade creditors	359	180
Amounts owed to participating interests	2,523	2,493
Accruals and deferred income	3,391	3,294
Interest payable	4,124	18,593
	<u>18,501</u>	<u>37,774</u>

The interest payable relates to the arrears of fixed cumulative dividends in respect of the company's shares classified as debt. The balance relates to dividends which have become payable since July 2016 (2015: December 2013).

Notes (continued)

14 Creditors: amounts falling after more than one year

	2016 £000	2015 £000
Shares classified as debt (see note 15)	77,065	77,065
Bank loans and overdrafts (see note 15)	173,197	166,849
Other financial liabilities (see note 16)	3,320	2,215
	<u>253,582</u>	<u>246,129</u>

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
Creditors falling due within one year		
Bank loans	8,104	13,214
	<u>8,104</u>	<u>13,214</u>
Creditors falling due between one and two years		
Bank loans	11,596	13,966
	<u>11,596</u>	<u>13,966</u>
Creditors falling due between two and five years		
Bank loans	39,991	152,883
	<u>39,991</u>	<u>152,883</u>
Creditors falling due after five years		
Bank loans	121,610	-
Shares classified as debt	77,065	77,065
	<u>198,675</u>	<u>77,065</u>

Included within bank loans as debt are amounts repayable after five years by instalments and otherwise than by instalments of £121,610,000 (2015: £nil) and £nil (2015: £nil) respectively.

Included within shares classified as debt are amounts repayable after five years by instalments and otherwise than by instalments of £nil (2015: £nil) and £77,065,000 (2015: £77,065,000) respectively.

Notes (continued)

15 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016	2015
					£000	£000
Bank loans	£	LIBOR +3.2%	2019	Biannual instalments	-	180,063
Bank loans	£	LIBOR +2.2%	2028	Biannual instalments	181,301	-
Shares classified as debt	£	12%	None	None	77,065	77,065
					<u>258,366</u>	<u>257,128</u>

During the year the company refinanced its bank loans, increasing its total borrowings and extending the loan term, as detailed above.

The bank loans are secured by fixed and floating charge over the company's assets (see note 19).

16 Other financial liabilities

	2016 £000	2015 £000
Amounts falling due within one year		
Financial liabilities designated as fair value through profit or loss	-	-
Financial liabilities held for trading (including all derivatives)	-	-
Other financial liabilities measured at amortised cost	10,397	24,560
	<u>10,397</u>	<u>24,560</u>
Amounts falling due after one year		
Financial liabilities designated as fair value through profit or loss	3,320	2,215
Financial liabilities held for trading (including all derivatives)	-	-
Other financial liabilities measured at amortised cost	-	-
	<u>3,320</u>	<u>2,215</u>

17 Deferred tax assets and liabilities

The Company has unrecognised gross tax losses of £29,219,000 (2015: £18,393,000).

Notes (continued)

18 Capital and reserves

Share capital

	2016	2015
	£000	£000
<i>Issued, allotted, called up and fully paid</i>		
15,412,987 ordinary shares of £1 each	15,413	15,413
77,064,925 12% cumulative redeemable preference shares of £1 each	77,065	77,065
	92,478	92,478
	<hr/>	<hr/>
Shares classified as liabilities	77,065	77,065
Shares classified in shareholders' funds	15,413	15,413
	92,478	92,478
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The preference shares are redeemable at the option of the company with the agreement of the shareholders. The premium on redemption is £nil. The holders of preference shares are entitled to receive cumulative dividends and are not entitled to vote at meetings of the Company.

No dividends have been proposed on ordinary share capital (2015: £nil).

19 Financial instruments

19 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016	2015
	£000	£000
Assets measured at amortised cost	5,717	4,581
Assets measured at cost less impairment	282,274	282,274
Liabilities measured at fair value through profit or loss	3,320	2,215
Liabilities measured at amortised cost	268,763	281,688
	<hr/>	<hr/>

Notes (continued)

19 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rates curves.

19 (c) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2016 £000	Fair value 2015 £000
Liabilities measured at fair value through profit or loss	3,320	2,215

The financial liabilities measured at fair value through profit or loss are interest rate swap instruments which contract the group to make fixed interest payments at an average rate of 1.349% (2015: 2.048%) and receive floating interest LIBOR based receipts. They cover £148,945,000 (2015: £154,360,000) of the lender consortium bank loan borrowings and have December 2028 (2015: December 2026) maturity dates.

During the year the group settled its liabilities in respect of the brought forward interest rate swap instruments and entered into a three new instruments following the refinancing of its bank loans (see note 15).

20 Contingencies

On 17 February 2011 OPW Holdco Limited entered in to a debenture in favour of Dong Energy Power (UK) Limited as Security Trustee. The debenture created a fixed and floating charge over the company's assets as security for borrowings and liabilities pursuant to various shareholder and supplementary agreements entered into on 20 December 2010 when OPW Holdco Limited purchased its shares in Walney (UK) Offshore Windfarms Limited. The debenture was assigned to Santander Bank PLC as Security Trustee on 15 December 2016 as part of the company's refinancing.

OPW Holdco Limited has a contingent liability arising from an obligation to financially support its associate, Walney (UK) Offshore Windfarms Limited. This obligation derives from the Joint Shareholder Agreement dated 20 December 2010 as amended and restated on 18 December 2012, whereby the shareholders of WOWL each commit to support WOWL with funding pro-rata to their shareholding if WOWL does not have sufficient cash resources to meet its financial commitments itself. This obligation is contained in the shareholder agreement and therefore remains in place as long as OPW Holdco Limited is a shareholder of WOWL.

Notes (continued)

20 Contingencies (continued)

The Joint Shareholders' Agreement between the shareholders of Walney (UK) Offshore Windfarms Limited provides that certain bilateral settlements between individual shareholders, arising under the Bilateral Shareholders' Agreements, can be recovered via the WOWL distribution process and the allotment of shares in WOWL pursuant to that process. The allotment premium paid for WOWL shares may therefore differ between the shareholders, depending on the settlement of bilateral shareholder obligations that have been factored into the distributions from time to time.

21 Related parties

Identity of related parties with which the Company has transacted

During the year the company transacted with Walney (UK) Offshore Windfarms Limited, the company's associate undertaking, OPW Midco Limited, the company's immediate parent company, OPW Topco Limited, the parent company of OPW Midco Limited, and Ampere Project Holding 6 B V, which owns 40% of the ordinary share capital of OPW Holdco Limited.

Other related party transactions

	Preference dividends payable		Electricity purchases	
	2016	2015	2016	2015
	£000	£000	£000	£000
OPW Midco Limited	5,564	5,549	-	-
Ampere Project Holding 6 B V	3,709	3,699	-	-
Walney (UK) Offshore Windfarms Limited	-	-	29,981	29,609
	9,273	9,248	29,981	29,609
	<hr/>	<hr/>	<hr/>	<hr/>
	Debtors outstanding		Creditors outstanding	
	2016	2015	2016	2015
	£000	£000	£000	£000
OPW Topco Limited	84	83	-	-
OPW Midco Limited	80	76	2,481	11,162
Ampere Project Holding 6 B V	-	-	1,643	7,431
Walney (UK) Offshore Windfarms Limited	-	-	2,523	2,493
	164	159	6,647	21,086
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

21 Related parties (continued)

On 28 May 2015, the company acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £693,000 to offset against dividends receivable as prescribed by the shareholder agreement.

On 27 November 2015, the company acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £704,000 to offset against dividends receivable as prescribed by the shareholder agreement.

In June 2016, the group acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £649,617 to offset against dividends receivable as prescribed by the shareholder agreement.

In December 2016, the group acquired 248 £1 ordinary shares in Walney (UK) Offshore Windfarms Limited at a premium of £691,044 to offset against dividends receivable as prescribed by the shareholder agreement.

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of OPW Midco Limited. The parent company is Stichting Depositary PGGM Infrastructure Funds, the title holder of ultimate controlling party via PGGM Infrastructure Fund, a Dutch mutual fund for joint account ("fonds voor gemene rekening") established under Dutch law, with control and asset management activities being directed by PGGM Vermogensbeheer B.V. The business address is Noordweg Noord 150, 3704 JG Zeist, The Netherlands.

The largest group in which the results of the Company are consolidated is that headed by OPW Topco Limited, incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of OPW Topco Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

23 Accounting estimates and judgements

In the process of applying the company's accounting policies, management necessarily makes judgements and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgements and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgements and estimates are explained below.

Investment in associate

The company's investment in its 24.8% owned associate, Walney (UK) Offshore Windfarms Limited, has been recognised at cost less accumulated impairment rather than fair value. This is on the basis that the directors are not judged based on the performance of the investment. There are no plans to sell the investment in the foreseeable future so the fair value will not be realised.

Notes (continued)

Impairment

In assessing impairment, judgement is required to establish whether there have been any indicators of impairment, either internal or external for all non-current assets.

The directors used discounted cash flow forecasts in order to estimate the market value of its investment in Walney (UK) Offshore Windfarms Limited for the purposes of assessing whether the asset is impaired.

Amortised cost

The rate at which preferential dividends accrue in respect of the preference shares treated as debt of 12% per annum has been deemed to be in line with commercial rates therefore no amortised cost adjustments have been made.

24 Subsequent Events

There have been no material post balance sheet events.