Registered number: SC278869

ABERDEEN OFFSHORE WIND FARM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

ABERDEEN OFFSHORE WIND FARM LIMITED

COMPANY INFORMATION

Directors	Felix Wuertenberger (resigned 1 June 2019) Jonas Van Mansfeld Michael Simmelsgaard Frederik Hiensch (appointed 1 June 2019)
Registered number	SC278869
Registered office	The Tun Building 4 Jacksons Entry 8 Holyrood Road Edinburgh Scotland EH8 8AE
Independent auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

ABERDEEN OFFSHORE WIND FARM LIMITED

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ABERDEEN OFFSHORE WIND FARM LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

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

Business review

During the year the Company finished the construction of an offshore wind farm in Aberdeen Bay, Scotland, within the United Kingdom. The wind farm became operational in the summer of 2018 and started producing power from its eleven 8.8MW turbines. The wind farm generated turnover of £23.3 million during this first period of operation.

The ultimate parent undertaking is Vattenfall AB. One of the key focus areas of Vattenfall's strategy is building a more sustainable energy portfolio. Vattenfall has a committed and ambitious strategy for growth in renewable generation and plans to invest around 24 billion Swedish Krona in new wind farms over the next two years and similar amounts in the years following.

At 31 December 2018, Vattenfall Group's installed capacity for Wind and Solar operating assets amounted to 2.8GW (1.1GW in the UK) split over more than 1,100 turbines and solar panels in five countries. During the financial year 2018 Vattenfall Group had nine wind farms under construction in three countries, one of which was commissioned in 2018 and two of which will be fully commissioned in 2019. The other wind farms are expected to commence operations in 2020/2021. Furthermore, Vattenfall Group pursues new opportunities through its pipeline of development projects, currently representing a size above 5GW.

Key performance indicators ("KPIs")

The principal KPI for the Company is turnover comprising turbine availability, wind resource and electricity price.

Principal risks and uncertainties

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

The Company has considered any risks arising as a result of the UK's departure from the European Union. During construction of the wind farm the key risk in relation to this was fluctuations in currency, given that many costs were incurred in Euros. Following construction completion in 2018, currency risk is reduced as all income and costs will be denominated in Pound Sterling. The Company mitigated this risk through the use of derivative financial instruments.

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

DocuSigned by:

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Jonas Van Mansfeld
Director

Date: 30 October 2019

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Company's principal activity consists of the operation of an offshore wind farm in Aberdeen Bay, Scotland within the United Kingdom. The Company is a private limited company, domiciled in the United Kingdom and incorporated in Scotland. During the year the Company's immediate parent undertaking was Vattenfall Wind Power Limited and the ultimate parent undertaking is Vattenfall AB, the Swedish based international utility company.

Going concern

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

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

ABERDEEN OFFSHORE WIND FARM LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Results and dividends

The profit for the year, after taxation, amounted to £1,106 thousand (2017 - loss £4,993 thousand).

Dividend paid in the year is £nil (2017: £nil).

Directors

The directors who served during the year were:

Felix Wuertenberger (resigned 1 June 2019)
Jonas Van Mansfeld
Michael Simmelsgaard

Future developments

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

Qualifying third party indemnity provisions

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

Disclosure of information to auditors

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

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

Post balance sheet events

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

Auditors

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

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

DocuSigned by:

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Jonas Van Mansfeld
Director

Date: 30 October 2019

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABERDEEN OFFSHORE WIND FARM LIMITED

Opinion

We have audited the financial statements of Aberdeen Offshore Wind Farm Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABERDEEN OFFSHORE WIND FARM LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

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

Ernst & Young LLP

Stuart Darrington (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP, Statutory Auditor

London

30 October 2019

ABERDEEN OFFSHORE WIND FARM LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Turnover	4	**23,372**	-
Cost of sales		**(8,678)**	-
Gross profit		**14,694**	-
Administrative expenses		**(12,660)**	(6,251)
Operating profit/(loss)	5	**2,034**	(6,251)
Interest receivable and similar income	8	**23**	3
Interest payable and expenses	9	**(1,698)**	-
Profit/(loss) before tax		**359**	(6,248)
Tax on profit/(loss)	10	**747**	1,255
Profit/(loss) for the financial year		**1,106**	(4,993)
Total comprehensive profit/(loss) for the year		**1,106**	(4,993)

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.

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

ABERDEEN OFFSHORE WIND FARM LIMITED
REGISTERED NUMBER:SC278869

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £000		2017 £000
Fixed assets					
Tangible assets	11		**313,254**		164,679
Current assets					
Debtors: amounts falling due within one year	12	**45,653**		10,848	
Cash at bank and in hand	13	**-**		46,456	
		45,653		57,304	
Creditors: amounts falling due within one year	14	**(250,816)**		(140,829)	
Net current liabilities			**(205,163)**		(83,525)
Total assets less current liabilities			**108,091**		81,154
Provisions for liabilities					
Deferred taxation	16	**(2,847)**		(353)	
Other provisions	17	**(23,890)**		(553)	
			(26,737)		(906)
Net assets			**81,354**		80,248
Capital and reserves					
Called up share capital	18		**75,000**		75,000
Retained earnings			**6,354**		5,248
Total equity			**81,354**		80,248

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

DocuSigned by:

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Jonas Van Mansfeld
Director

Date: 30 October 2019

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

ABERDEEN OFFSHORE WIND FARM LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2018	75,000	5,248	80,248
Comprehensive profit for the year			
Profit for the year	-	1,106	1,106
Total comprehensive profit for the year	-	1,106	1,106
Total transactions with owners	-	-	-
At 31 December 2018	75,000	6,354	81,354

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

ABERDEEN OFFSHORE WIND FARM LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2017	75,000	10,241	85,241
Comprehensive loss for the year			
Loss for the year	-	(4,993)	(4,993)
Total comprehensive loss for the year	-	(4,993)	(4,993)
Total transactions with owners	-	-	-
At 31 December 2017	75,000	5,248	80,248

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

1. Authorisation of financial statements

The financial statements of Aberdeen Offshore Wind Farm Limited (the "Company") for the year ended 31 December 2018 were approved by the board and authorised for issue on 30 October 2019 and the Balance Sheet was signed on the board's behalf by Jonas Van Mansfeld. Aberdeen Offshore Wind Farm Limited is incorporated and domiciled in Scotland, within the United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

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

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.3 Change in accounting policy and disclosures

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

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2018 unless otherwise stated and the impact of adoption is described below. There are no other changes to IFRS effective in 2018 which have a material impact on the Company.

IFRS 9 Financial instruments
IFRS 9 introduces new requirements for classifying, measuring and impairing financial instruments and hedge accounting. Under IFRS 9, loans and trade receivables may be measured at fair value through other comprehensive income or amortised cost depending on the characteristics of the contractual cash flows.

Under IFRS 9, the Company should also record expected credit losses on all of its debt securities, loans and trade receivables on a 12 month or lifetime basis.

IFRS 15 Revenue from contracts with customers
The standard replaces all previous revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognise revenue. The standard is intended to assist entities in applying judgement when recognising recognition.

IFRIC Interpretation 22 Foreign currency transactions and advance consideration
IFRIC 22 clarifies that the transaction date is the date on which a company initially recognises the prepayment or deferred income arising from the advance consideration.

New standards and interpretations not yet effective

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

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

- IFRS 16 Leases (effective in the EU 1 January 2019)
- IFRIC Interpretation 23 Uncertainty over income tax treatments (effective in the EU 1 January 2019)
- AIP IAS 23 Borrowing costs - Borrowing costs eligible for capitalisation (effective in the EU 1 January 2019)
- IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (effective in the EU 1 January 2020)

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 January 2018.

IFRS 15

From 1 January 2018, the Company has applied IFRS 15 using the cumulative effect method.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 January 2018.

2.5 Development expenditure

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

2. Accounting policies (continued)

2.6 Revenue

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

The Company sells electricity under the terms of the Service Level Agreement ("SLA") with Vattenfall Energy Trading ("VET"). The SLA identifies two income streams subject to separate performance obligations under IFRS 15:

Income from the sale of electricity

Income from the sale of electricity is recognised when the performance obligations under the SLA are met. This occurs when electricity is transferred to VET at an amount that reflects the consideration the Company expects to be entitled in exchange for the electricity. Under such arrangements income is recognised according to contractual prices per unit of output multiplied by the actual power output delivered to VET in the period, subject to an administrative fee. Income from the sale of electrical energy is recognised net of VAT and other sales taxes.

ROC (Renewable Obligation Certificate) entitlement and Buyout Fund

A Renewable Obligation Certificate ("ROC") is an environmental credit issued to accredited generators for eligible renewable electricity. One ROC is issued for each megawatt hour of eligible renewable electricity generated. Income from the sale of ROCs is recognised once the performance obligation is satisfied at the point of sale of the associated electricity to VET at market price, subject to an administrative fee deduction.

In addition, the Company recognises income from the redistribution of the ROC Buyout Fund to eligible generators of renewable energy. The transaction price allocated is estimated on the basis of market data. Please refer to note 3 for further description of the ROCs revenue estimate.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to VET and payment by VET exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. An accrued income balance is recognised when the performance obligations under the SLA are satisfied, yet before consideration is received.

2. Accounting policies (continued)

2.7 Tangible fixed assets

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

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

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

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

Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

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

The estimated useful lives range as follows:

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

2.8 Leasing

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

2.9 Debtors and accrued income

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

Accrued income is measured at transaction price when the performance obligations under the SLA are satisfied, yet before consideration is received.

2. Accounting policies (continued)

2.10 Cash and cash equivalents

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

2.11 Financial instruments

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

Financial assets

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

Loans and receivables

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

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

Financial liabilities

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

At amortised cost

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

2. Accounting policies (continued)

2.12 Creditors

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

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

2.13 Government grants

The grants received are from the European Commission and Scottish Government and consist of capital grants in respect of the construction of the wind farm.

The grants received on capital expenditure are deducted in calculating the carrying amount of the asset on the Company's Balance Sheet and then recognised in the Statement of Comprehensive Income over the life of a depreciable asset as a reduced depreciation expense.

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

2.15 Interest expenses

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

2.16 Interest income

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

2. Accounting policies (continued)

2.17 Decommissioning provision

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

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

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

2.18 Provisions for liabilities

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

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

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

2. Accounting policies (continued)

2.19 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

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

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

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

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

Renewable Obligation Certificate (ROC)
The Company estimated the value of its entitlement to the ROC (Renewable Obligation Certificate) Buyout Fund in relation to the 2018/2019 administrative year. In estimating the value of its entitlement, the Company estimates the value of the Ofgem Buyout Funds for the appropriate years and the number of ROCs that will be presented for the respective years. In the Company's Balance Sheet, amounts owed by group undertakings include £nil (2017: £nil) of accrued income in respect of the Company's share of the Ofgem Buyout Funds.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Income from sale of electricity	7,338	-
ROC (Renewable Obligation Certificate)	16,034	-
	23,372	-

All turnover arose within the United Kingdom. All turnover has been derived from group undertakings.

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	6,247	-
Exchange differences	12,410	5,776

6. Auditors' remuneration

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

	2018 **£000**	2017 £000
Fees for audit services	**25**	22

7. Employees

Number of employees
The average monthly number of employees (including directors) during the year was 3 (2017: 3). The Company's payroll costs are incurred by other entities within the Group, with the costs recharged to the Company.

Directors remuneration
The directors of the Company are also directors of the holding company and fellow subsidiaries. The directors remuneration for the year, apportioned to the Company based on the estimated individual director representation for the Company, amounts to £74 thousand (2017: £72 thousand). All of the remuneration was paid by another Vattenfall Group company.

8. Interest receivable

	2018 **£000**	2017 £000
Interest receivable from group companies	**23**	3

9. Interest payable and expenses

	2018 **£000**	2017 £000
Interest payable to group undertakings	**1,688**	-
Finance leases and hire purchase contracts	**10**	-
	1,698	-

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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10. Taxation

	2018 £000	2017 £000
Corporation tax		
Current year	(3,241)	(1,583)
Adjustments in respect of previous periods	-	(25)
Total current tax	(3,241)	(1,608)
Deferred tax		
Origination and reversal of timing differences	3,405	388
Impact of change in tax laws and rates	(885)	(59)
Adjustments in respect of previous periods	(26)	24
Total deferred tax	2,494	353
Taxation on profit/(loss) on ordinary activities	(747)	(1,255)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before tax	359	(6,248)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	68	(1,203)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	91	2
Impact of change in tax laws and rates	(885)	(59)
Adjustments to tax charge in respect of prior periods	(26)	(1)
Tax losses not recognised	5	6
Total tax credit for the year	(747)	(1,255)

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Taxation (continued)

Factors that may affect future tax charges

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

11. Tangible fixed assets

	Wind farm £000	Wind farm decommissioning asset £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 January 2018	-	553	164,126	164,679
Additions	13,588	-	131,495	145,083
Transfers between classes	295,621	-	(295,621)	-
Adjustment to asset	-	9,739	-	9,739
At 31 December 2018	309,209	10,292	-	319,501
Depreciation				
Charge for the year on owned assets	6,139	108	-	6,247
At 31 December 2018	6,139	108	-	6,247
Net book value				
At 31 December 2018	303,070	10,184	-	313,254
At 31 December 2017	-	553	164,126	164,679

During the year the Company capitalised £3,438 thousand (2017: £2,452 thousand) of interest related to the construction of the wind farm (a qualifying asset).

ABERDEEN OFFSHORE WIND FARM LIMITED

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12. Debtors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed by group undertakings	**12,868**	1,585
Other debtors	**5,829**	5,795
Prepayments and accrued income	**15,384**	2,877
Financial instruments	**11,572**	593
	45,653	10,850

There has been no effect on contract asset balances due to factors relating to the timing of satisfaction of the Company's performance obligations and their relationship with the typical timing of payment.

13. Cash at bank and in hand

	2018 £000	2017 £000
Cash at bank and in hand	**-**	46,456

14. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**10,399**	11,883
Amounts owed to group undertakings	**212,148**	105,939
Other creditors	**199**	-
Accruals and deferred income	**16,740**	23,007
Financial instruments	**11,330**	-
	250,816	140,829

15. Financial instruments

	2018 £000	2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	-	46,456
Financial assets that are debt instruments measured at amortised cost	13,000	123
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	11,572	593
	24,572	47,172
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(11,330)	-
Financial liabilities measured at amortised cost	(221,737)	(120,504)
	(233,067)	(120,504)

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

Financial assets measured at amortised cost comprise mostly of other receivables.

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprise forward currency contract derivative contracts.

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

16. Deferred taxation

	2018 £000
At beginning of year	(353)
Charged to profit or loss	(2,494)
At end of year	(2,847)

16. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	**(2,863)**	(406)
Tax losses carried forward	**-**	53
Other temporary differences	**16**	-
	(2,847)	(353)

17. Provisions

	Decommissioning provision £000	Other provision £000	Total £000
At 1 January 2018	553	-	553
Effect of change in estimate	9,739	-	9,739
Additions	-	13,588	13,588
Unwinding of discount	10	-	10
At 31 December 2018	**10,302**	**13,588**	**23,890**

Decommissioning provision

Provision has been made for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 1.87% (2017: 1.46%).

Other provision

The Company has received claims from a supplier for additionally incurred costs for their work on the construction of the wind farm. The supplier has submitted initial claims amounting to £122,175 thousand. Based on legal advice and an assessment carried out by the engineer appointed by Vattenfall and the supplier, the Company currently expects to settle the claim with payments up to £13,588 thousand and, as such, have provided for this sum.

The risk exists that the sum determined is not agreed by the supplier. The Company and supplier could settle these claims amicably. In the instance that this does not occur, a formal dispute resolution process is to be started by the supplier as agreed in the contract between the supplier and the Company. Based on external legal advice, the Company does not expect to be liable for and/or settle anything above the determined value. A contingent liability of £108,587 thousand has been disclosed, representing the difference between the provision and the claim submitted by the supplier.

18. Share capital

	2018 £	2017 £
Authorised, allotted, called up and fully paid		
75,000,100 (2017 - 75,000,100) Ordinary shares of £1.00 each	**75,000,100**	75,000,100

19. Commitments under operating leases

In 2017 the Company entered into a 21-year lease of an area of seabed from where it operates. The operating lease rental charge is based on both a fixed fee charge, disclosed below, and a variable charge contingent on MWh generation. As such the variable charge commitment for the following year cannot be established in advance. The rental cost for the year ended 31 December 2018 was £3 thousand (2017: £nil).

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	**215**	20
Later than 1 year and not later than 5 years	**862**	78
Later than 5 years	**3,231**	312
	4,308	410

Future minimum lease payments have been calculated over the estimated remaining useful life of the wind farm.

20. Ultimate parent undertaking and controlling party

At 31 December 2018, the immediate parent undertaking is Vattenfall Wind Power Ltd, a company registered in the United Kingdom. The Directors regard Vattenfall AB, a company registered in S-162 87 Stockholm, Sweden as the Company's controlling party ultimate parent undertaking.

The results of the Company are included in the consolidated financial statements of Vattenfall AB which are available from the Vattenfall website, http://corporate.vattenfall.com.