

Company Registration No. 07886325

Andershaw Wind Power Limited

**Annual Report and Financial Statements
for the year ended 31 December 2015**



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Officers and professional advisers

Directors

Shimon Shoshani (resigned 24 May 2016)
Sergio Castedo
Jan Hågå
Jan Petter Birkeland (appointed 30 November 2015)
Bjørn Drangsholt (appointed 24 May 2016)

Secretary

Emma Voss (resigned 11 March 2015)
Alex Savvides (appointed 11 March 2015 and resigned 30 November 2015)
Oliver Cripps (appointed 30 November 2015)

Registered office

4th Floor
41 Moorgate
London
EC2R 6PP

Auditor

Deloitte LLP
Chartered Accountants
London

Bankers

Danske Bank
ICB London
75 King William Street
London
EC4N 7DT

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of Andershaw Wind Power Limited (the “Company”) is the construction and operation of a wind farm in Scotland.

Review of business

Summary

During the first 9 months of the year, the Company continued development of a wind farm project in Scotland. Construction of the wind farm commenced in October 2015 and is expected to take 12 months to complete.

Results for the year and dividends

The profit for the year after tax amounted to £579,000 (2014: loss of £146,000). The profit for the year is driven by the recognition of deferred tax losses and a positive fair value of foreign exchange forward contracts. The directors do not recommend the payment of a dividend (2014: £nil).

Future outlook

Construction of the wind farm is expected to be completed by the end of Q3 2016 and enter full operation at the end of November 2016. The construction project is currently on plan and on budget. During the construction phase, the Company is expected to be loss-making; after the project is commissioned, it is expected to make profits for the remainder of the life of the wind farm.

Corporate social responsibility

The Company strives to achieve an open and constructive dialogue with all stakeholders and the directors are working to develop the Company in a manner which increases the value for the ultimate parent Statkraft SF (“Statkraft Group”) and the local community in which the Company operates.

The Company made no political or charitable donations during the year.

Principal risks and uncertainties

The management of risks is based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact.

- Lower available wind speed would impact the ability of the Company to generate revenue. This is mitigated through operating the project over a timeframe that exceeds seasonal and annual cycles in wind speeds in the UK.
- There is a risk of adverse legislation changes against the Company impacting its ability to make returns on the investment made. Green certificates contribute significantly towards profitability; the risk is managed by close monitoring of, and involvement in, the developments in new renewable regimes in the UK by the Statkraft Group. This is reinforced by the UK Government’s commitment for the country to produce 15% of energy from renewable sources by 2020.

- The failure of one or more turbines could lead to high reinvestment costs and impact the Company's ability to trade. In this case, the Company has maintenance contracts in place in the event of such failure, warranties from the turbine supplier, and insurance policies to cover loss of business interruptions.
- The Company faces a risk of reputational damage to itself and its ultimate parent, Statkraft SF, through its operations. The Company invests resources in resolving local grievances raised, relating to the wind farm and invests funds towards stakeholders through its local community benefit fund.
- The Company is exposed to foreign currency risk through its purchase of tangible asset additions which are primarily denominated in other currencies. The Company's policy is to eliminate substantially all currency exposure from such transactions through forward currency contracts falling due in line with payment schedules.

Approved by the Board of Directors and signed on behalf of the Board by



Sergio Castedo
Director
21 June 2016

Directors' Report

The directors present the annual report and the audited financial statements for the year ended 31 December 2015.

Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of resources available to the Company and current market conditions and concluded that it is appropriate. Further detail regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

Directors

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

Shimon Shoshani (resigned 24 May 2016)

Sergio Castedo

Jan Hågå

Jan Petter Birkeland (appointed 30 November 2015)

Bjørn Drangsholt (appointed 24 May 2016)

Policy on financial risk management

The financial risk management of the Company is detailed in note 3 to the Company's financial statements.

Charitable and political donations

The Company made no political or charitable donations during the year.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that they ought to have taken as a director in order to make them self-aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



Sergio Castedo
Director
21 June 2016

Directors' responsibility statement

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

Independent Auditor's Report to the Members of Andershaw Wind Power Limited

We have audited the financial statements of Andershaw Wind Power Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

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.



Anthony Matthews FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
22 June 2016

Income statement

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Administrative expenses		(277)	(83)
Operating loss	7	<u>(277)</u>	<u>(83)</u>
Finance income	8	394	4
Finance costs	8	(1)	(67)
Profit/ (loss) on ordinary activities before tax		<u>116</u>	<u>(146)</u>
Tax on loss on ordinary activities	9	463	-
Profit/ (loss) for the year		<u><u>579</u></u>	<u><u>(146)</u></u>

The results for both years have been derived wholly from continuing operations.

There was no income or expense in either year presented other than that disclosed above. Accordingly a Statement of comprehensive income is not presented.

Statement of financial position
As at 31 December 2015

(Registered number: 07886325)

	Notes	31 December 2015 £'000	31 December 2014 £'000
Non-current assets			
Intangible assets	10	-	3,441
Fixed assets	10	11,868	-
Other long term receivables	11	916	1,000
Deferred tax assets	19	463	-
		<u>13,247</u>	<u>4,441</u>
Current assets			
Trade and other receivables	12	598	608
Derivatives	18	358	-
Cash and bank balances		791	3,995
		<u>1,747</u>	<u>4,603</u>
Total assets		<u>14,994</u>	<u>9,044</u>
Current liabilities			
Trade and other payables	13	(3,086)	(407)
Loans from group companies	14	(7,828)	-
		<u>(10,914)</u>	<u>(407)</u>
Non-current liabilities			
Loans from group companies	14	-	(5,136)
Total liabilities		<u>(10,914)</u>	<u>(5,543)</u>
Net assets		<u>4,080</u>	<u>3,501</u>
Equity			
Share capital	15	5,500	5,500
Retained deficit		(1,420)	(1,999)
Total equity		<u>4,080</u>	<u>3,501</u>

The notes on pages 14 to 29 are an integral part of these financial statements. The financial statements of the Company were approved by the Board of Directors and authorised for issue on 21 June 2016. They were signed on its behalf by:

Sergio Castedo
Director



Statement of changes in equity

	Share capital £'000	Retained deficit £'000	Total equity £'000
1 January 2014	-	(1,853)	(1,853)
Issue of share capital	5,500	-	5,500
Loss for the year	-	(146)	(146)
At 31 December 2014	5,500	(1,999)	3,501
Profit for the year	-	579	579
At 31 December 2015	5,500	(1,420)	4,080

Cash flow statement

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net cash flow from operating activities	17	324	(337)
Cash flows from investing activities			
Interest received		15	4
Bank charges		(1)	(2)
Purchase of fixed assets		(3,935)	(3,441)
Net cash used in investing activities		(3,921)	(3,438)
Cash flows from financing activities			
Proceeds from new intercompany debt		371	1,922
Proceeds on issue of ordinary shares		-	5,500
Net cash from financing activities		371	7,422
Net (decrease)/ increase in cash during the year		(3,226)	3,647
Foreign exchange gain		22	-
Cash at beginning of the year		3,995	348
Cash at the end of the year		791	3,995

Notes to the accounts

1. Corporate information

Andershaw Wind Power Limited (the “Company”) is a limited company and registered in England and Wales with registered number 07886325. The Company is incorporated and domiciled in the United Kingdom. The address of the Company’s registered office is 4th Floor, 41 Moorgate, London, EC2R 6PP.

The immediate parent undertaking is Statkraft UK Ltd and the smallest and largest group to consolidate these financial statements is Statkraft SF. Statkraft SF (incorporated in Norway) is the ultimate controlling party and owns indirectly 100% of the Company’s shares. The group financial statements can be obtained from Statkraft SF, Lilleakerveien 6, Post box 200, 0216 Oslo, Norway or www.statkraft.com.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The financial statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore comply with Article 4 of the EU IAS regulation.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

These are the Company’s first annual financial statements prepared in accordance with IFRSs as adopted by the European Union. Subject to certain transition elections and exceptions disclosed in note 19, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position as at 1 January 2013 throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended 31 December 2014, prepared under UK GAAP.

2.2 Going Concern

The Company’s business activities, together with the factors likely to affect its future development and performance are set out in the Strategic Report and the Directors’ Report. The Directors’ Report also sets out the financial position of the Company; the Company’s objectives, policies and processes for managing its capital; its financial risk management objectives and details of its exposure to credit and liquidity risk.

The Company is funded by its parent company, Statkraft UK Ltd, to construct a wind farm that will generate long-term returns to the investors. The Company holds in liabilities amounts owed to fellow group companies which the directors do not believe will be recalled until the Company has sufficient

resources. Considering all relevant factors, including review of the relationship with its shareholders, the directors have reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Changes to accounting policies, new accounting standards and interpretations

The following new and relevant standards and interpretations were adopted effectively from 1 January 2015:

- *IFRIC 21* addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the financial statements.
- *Annual Improvements to IFRSs 2011 – 2013 Cycle*: The Entity has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2011 – 2013 Cycle for the first time in the current year. The amendments are in the nature of clarifications rather than substantive changes to existing requirements. The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

At the date of authorisation of these financial statements, the Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IAS 19 (amendments)	<i>Defined Benefit Plans: Employee Contributions</i>
Annual Improvements to IFRSs: 2010-2012	Amendments to : IFRS2: <i>Share-based Payments</i> , IFRS 3 <i>Business Combinations</i> , IFRS 8 <i>Operating Segments</i> , IFRS 13 <i>Fair Value Measurement</i> , IAS 16 <i>Property, Plant and Equipment</i> , IAS 24 <i>Related Party Disclosures</i> and IAS 38 <i>Intangible Assets</i> .
IFRS 9	<i>Financial Instruments</i>
IFRS 16	<i>Leases</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 11 (amendments)	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
IAS 1 (amendments)	<i>Disclosure Initiative</i>
IAS 12 (amendments)	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
IAS 16 and IAS 38 (amendments)	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
IAS 16 and IAS 41 (amendments)	<i>Agriculture: Bearer Plants</i>
IAS 27 (amendments)	<i>Equity Method in Separate Financial Statements</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
IFRS 10, IFRS 12 and IAS	<i>Investment Entities: Applying the Consolidation Exemption</i>

28 (amendments)

Annual Improvements to
IFRSs: 2012-2014 Cycle

Amendments to: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits* and IAS 34 *Interim Financial Reporting*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except that IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 may have an impact on operating leases and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 and IFRS 16 until a detailed review has been completed.

2.4 Foreign currency translation

(a) Functional and presentation currency

The functional currency for the Company is pounds sterling and is determined by the currency of the primary economic environment in which it operates. This is also the presentation currency of the Company.

(b) Transactions and balances

Transactions denominated in currencies other than the functional currency of the Company are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are not re-translated.

2.5 Intangible assets

Development expenditure is written off as incurred except where the directors are satisfied that the project under development has sufficient likelihood to generate future economic benefits. In such cases the identifiable expenditure is capitalised as an intangible asset until commencement of construction when the expenditure is transferred to tangible assets. Provision is made for any impairment.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation commences from the point economic benefits are generated from the assets. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value over the useful economic life of the asset. Expected useful life is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to such estimates. The evaluation of residual values is also subject to estimates.

	Depreciation period (years)
Buildings	20
Plant and equipment	20

A change in estimated expenditures for dismantling, removal and restoration of an asset is added to or deducted from the carrying value of the related asset. To the extent that the change would result in a negative carrying value, this effect is recognised in net income. The change in depreciation charge is recognised prospectively.

2.7 Impairments

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but ensuring that the increased carrying amount does not exceed the original carrying amount before the impairment loss was booked. A reversal of impairment loss is recognised in profit or loss.

2.8 Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of a financial instrument. All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

2.8.1 Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.8.2 Impairment of financial assets

Financial assets, other than those carried at fair value through the profit and loss account, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2.8.3 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.8.4 Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 18.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.9 Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2.9.1 Equity

Ordinary shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.9.2 Financial liabilities

The Company does not hold any financial liabilities classified as held at fair value through profit or loss. Consequently all financial liabilities are recognised as “other financial liabilities” and are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that

exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a short period, to the net carrying amount on initial recognition.

2.9.3 Derecognition of financial liabilities

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire.

2.9.4 Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Contingent lease payments are recognised on an accruals basis in the period the commitment becomes due.

2.10 Taxation

Income tax comprises current and deferred tax. Current tax expense is the expected tax payable on the taxable income for the period, 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, such as foreign exchange, credit, liquidity and interest rate risk.

(a) Foreign exchange risk

The Company incurs foreign exchange risk in the form of transaction risk in connection with construction of the wind farm whose main exposure is in Euro. The company uses forward exchange rates contracts to achieve the desired currency risk exposure under construction of the wind farm.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is potentially exposed to credit risk through its loans and other receivables due. The profile of these balances is principally with other group companies, which the directors believe limits the risk of non-payment.

(c) Liquidity risk

The Company is reliant on other group companies to provide sufficient funding to pay creditors and other obligations due. This is mitigated by placing funding arrangements with group companies and ensuring facilities are in place to allow for drawdowns on request up to a limit that covers the expected total cost of developing of the wind farm.

(d) Interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest rate risk is managed by placing all long-term borrowings with other group companies and management of the debt to equity ratio of the Company.

If interest rates had been 1% higher, the Company's loss before tax for the year ended 31 December 2015 would have increased by £197,000 (2014: increased by £25,000). If interest rates had been 1% lower, the Company's loss before tax for the year ended 31 December 2015 would have decreased by £197,000 (2015: decreased by £25,000).

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairments

Significant investments are made in intangible assets. These non-current assets are tested for possible impairment where there are indicators of loss of value. Calculating the recoverable amount requires a series of estimates concerning future cash flows, of which price paths and production

5. Directors' emoluments

During the year the Company had four directors (2014: three directors). Their emoluments were borne by the parent companies and none of their fee was apportioned to the Company.

6. Employee information

The Company had no employees during either year.

7. Operating loss

The following items have been included in arriving at operating profit

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	8	6
Net foreign exchange profit	(22)	-

No non-audit services were performed by the Company's auditor in either period.

8. Net finance costs

8(a) Interest revenues	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest receivable on group cash pools	15	4
Gain on derivatives, unrealised (note 18)	358	
Net foreign exchange gain	21	-
	<u>394</u>	<u>4</u>
 8(b) Finance costs	 Year ended 31 December 2015 £'000	 Year ended 31 December 2013 £'000
Interest payable on loans from shareholder and group companies	2,319	106
Other financial expense	-	54
	<u>2,319</u>	<u>160</u>
 Finance costs capitalised	 <u>(2,318)</u>	 <u>(93)</u>
	<u>1</u>	<u>67</u>

9. Taxation

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax	-	-
Deferred tax:		
Current tax	480	-
Prior year adjustment	(17)	-
Total deferred tax	463	-
Total tax credit for the year	463	-
 Profit/(loss) before tax	 116	 (146)
 Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	 24	 (31)
Effects of:		
Expenses not deductible for tax purposes	3	-
Losses carried forward on which deferred tax is not recognised	-	31
Prior year adjustments	17	-
Differences in tax rates	(17)	-
Recognition of historical losses	(410)	-
Group relief claimed	(80)	-
Total tax credit	(463)	-

Tax rate changes

During the year, the main rate of UK corporation tax was reduced from 21% to 20%. This was effective from 1 April 2015 giving a corporation tax rate for the year ended 31 December 2015 of 20.25%.

10. Fixed assets

	Asset under construction	Intangible assets	Total
2015	£'000	£'000	£'000
Cost			
As at 1 January 2014	-	-	-
Additions	-	3,441	3,441
31 December 2014	-	3,441	3,441
Additions	4,033	4,394	8,427
Reclassification	7,835	(7,835)	-
31 December 2015	11,868	-	11,868

Assets under construction are direct costs for the development and construction of the wind farm. Intangible assets were reclassified to assets under construction on commencement of the construction of the wind farm at which point they are considered to form an inseparable part of the wind farm asset.

The capital commitments relating to assets under construction at 31st December 2015 totalled £18,341,000 (2014: nil).

11. Long term receivables

	31 December 2015 £'000	31 December 2014 £'000
Prepayments	916	1,000

Long term receivables comprises of a lease payment made for when construction starts and this will be derecognised over the first 15 years of the lease term.

12. Trade and other receivables

	31 December 2015 £'000	31 December 2014 £'000
Prepayments	152	-
VAT receivable	446	599
Other receivables	-	9
	598	608

There are no trade and other receivables past due and not provided for. The directors consider that the carrying value of trade and other receivables approximately equals their fair value.

13. Trade and other payables

	31 December 2015 £'000	31 December 2014 £'000
Trade payables	674	56
Amounts due to group undertakings	109	282
Other payables	2,303	69
	<u>3,086</u>	<u>407</u>

Trade payables comprise amounts outstanding for trade purchases and on-going costs; interest is not charged on these trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. All liabilities recorded above are expected to be settled within twelve months of the reporting date and hence all are disclosed as current liabilities.

The directors consider that the carrying amount of trade and other payables approximately equals their fair value.

14. Loans from shareholders

	31 December 2015 £'000	31 December 2014 £'000
Non-current		
Loans from shareholders	<u>-</u>	<u>5,136</u>
Current		
Loans from shareholders	<u>7,828</u>	<u>-</u>
	<u>7,828</u>	<u>5,136</u>

The loans represent amounts payable to shareholders. The loans accrue interest at a floating rate based on LIBOR plus a margin applied to that balance. The loans will be renegotiated when the construction is completed.

15. Share capital

At 31 December 2015 the issued share capital was 5,500,004 (2014: 5,500,004) ordinary shares of £1 each.

All shares are owned by Statkraft UK Ltd.

16. Related party transactions

The following transactions were carried out with related parties:

(a) *Recharged expenses payable*

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Shareholders	179	7
	<u>179</u>	<u>7</u>

(b) *Year-end balances payable*

	31 December 2015 £'000	31 December 2014 £'000
Shareholders	129	21
Group undertakings	179	121
At 31 December	<u>308</u>	<u>142</u>

(c) *Other transactions and year-end balances with related parties*

Non-current loans with related parties are separately disclosed, see note 14. Intercompany financial transactions in the period are further disclosed, see note 8.

17. Cash flow from operating activities

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net profit/ (loss) for the year	579	(146)
Adjustment for:		
Net finance costs	(393)	63
Taxation	(463)	-
Operating cash flow before movements in working capital	(277)	(83)
Decrease/(increase) in trade and other receivables	93	(604)
Increase in trade and other payables	681	66
(Decrease)/ increase in net intercompany liabilities	(173)	284
Net cash flow from operating activities	324	(337)

18. Derivatives

	31 December 2014 £'000	31 December 2014 £'000
Financial assets carried at fair value through profit or loss (FVTPL):		
Forward exchange contracts	358	-
	358	-

The carrying value is the same of the fair value for the forward exchange contract. The valuation of forward currency exchange contracts is based on quoted exchange rates, from which the forward exchange rate is extrapolated. Estimated present value is subjected to a test of reasonableness against calculations made by the counterparties to the contracts.

19. Deferred tax

Deferred tax assets and liabilities are offset when the taxes concerned relate to the same taxation authority.

The gross movement on deferred tax amount is as follows:

	2015 £'000	2014 £'000
At 1 January 2015	-	-
Prior period adjustment	(17)	-
Rate change	-	-
Credited to profit and loss account	480	-
At 31 December 2015	463	-

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances is as follows:

	2015 £'000	2014 £'000
Deferred tax assets on tax losses and decommissioning	£'000	£'000
Credited/ (charged) to income statement	897	-
Deferred tax liabilities relating to accelerated tax depreciation	2015 £'000	2014 £'000
(Charged)/ credited to income statement	(434)	-

The following are major deferred tax balances recognised by the Company.

	Accelerated tax depreciation £'000	Pre-trading expenditure £'000	Total £'000
As at 1 January 2015	-	-	-
Prior year adjustment	(17)	-	(17)
Income statement credit / (charge)	(417)	897	480
31 December 2015	(434)	897	463

Deferred income tax assets are recognised for pre-trading expenditure to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation. The tax rates substantively enacted at the balance sheet date were 20% to 31 March 2017, 19% from 1 April 2017 to 31 March 2020 and 18% from 1 April 2020.

20. Financial instruments

	31 December 2015 £'000	31 December 2014 £'000
Fair value of financial instruments		
Financial assets		
Trade and other receivables	999	1,009
Derivatives designated as FVTPL	358	-
Cash and bank balances	791	3,995
	<u>2,678</u>	<u>5,603</u>
Financial liabilities		
Borrowings	7,826	5,126
Trade and other payables	3,086	407
	<u>10,912</u>	<u>5,533</u>

The carrying value of all financial assets and liabilities closely approximate their fair value:

- Cash and bank balances comprise balances held with banks. Since the balances mature in less than 90 days, the carrying value is considered to be fair value.
- Fair value of the borrowings is approximate to its carrying value as the loan incurs interest at a floating rate based on LIBOR.