Vattenfall Wind Power Ltd

Thanet Extension Offshore Wind Farm

Appendix 5 to Deadline 3 Submission: Funding Statement

Relevant Examination Deadline: 3

Submitted by Vattenfall Wind Power Ltd

Date: March 2019

Revision B

Drafted By:	Vattenfall Wind Power Ltd
Approved By:	Mike Gettinby
Date of Approval:	March 2019
Revision:	B

Revision A	Original Document submitted to the Examining Authority within the Application
Revision B	Revised document submitted to the Examining Authority
N/A	
N/A	

Contents

Annexes referred in this document

Annex A	Vattenfall Wind Power Ltd Financial Statement 2017

1 Introduction

1.1 Vattenfall Wind Power Limited (the Applicant) (Company Number 06205750), the applicant for the proposed Thanet Extension Offshore Wind Farm Order (the Order) is a subsidiary of the Vattenfall Group which is Europe's fifth largest generator of electricity and the largest generator of heat.

1.2 The Applicant is planning to develop the Thanet Extension Offshore Wind Farm (the Project) with up to 34 turbines and an installed capacity of up to 340 MW. The Project comprises an extension to the existing Thanet offshore wind farm off the coast of Thanet, Kent, to be located approximately 8km offshore (at the closest point). The offshore array site occupies an area of approximately 70 km2. The Project will connect to the National Grid at Richborough, Kent.

1.3 As the total installed electricity generating capacity will exceed 100 MW, the Project is deemed to be a Nationally Significant Infrastructure Project (NSIP), and therefore the Applicant is submitting an application to the Secretary of State under Section 37 of the Planning Act 2008 for a Development Consent Order (DCO) for the construction and operation of the Project. The Applicant is defined in the Order as the "undertaker" and will be the corporate body invested with the powers provided for in the Order.

1.4 The application for the Order includes a request that powers of compulsory acquisition be made available to the Applicant. Accordingly a Funding Statement is required to be submitted with the application for development consent, as per Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (the APFP Regulations).

1.5 The Project is being promoted by the Applicant and at the time of submission of this Funding Statement no decision has been made to transfer the Project into a special purpose vehicle ("SPV") created and owned by either the applicant or another company in the Applicant's wider corporate group. As noted below the Applicant owns and operates an existing operational offshore wind farm (Kentish Flats Extension) but has also in the past transferred similar projects into special purpose vehicles.

1.6 This Statement explains how:

(i) the land and rights to be acquired and also the implementation of the Project would be funded if the Project is constructed by the Applicant;

(ii) the land and rights to be acquired and also the implementation of the Project would be funded if the Project is constructed and operated by a SPV.

1.7 This Statement is part of a suite of DCO application documents and should be read alongside those documents. In particular, this Statement should be read in conjunction with the Statement of Reasons.

2 The Applicant

2.1 The Applicant is a subsidiary of Vattenfall AB and a member of the Vattenfall Group which is Europe's fifth largest generator of electricity and the largest generator of heat. The Vattenfall Group works in all parts of the electricity supply and distribution: generation, transmission, distribution and sales, and generates, distributes and sells heat. The Vattenfall Group has approximately 20,000 employees. The Parent Company, Vattenfall AB, is owned by the Swedish state.

2.2 The Applicant has extensive experience of the construction and operation of offshore wind farms in UK and European waters. In addition to owning and operating the existing Kentish Flats Extension Offshore Wind Farm, the Applicant wholly owns the special purpose vehicles which own and operate the, the Kentish Flats Offshore Wind Farm, and the European Offshore Wind Deployment Centre off the coast of Aberdeen. The Applicant owns 51% of the special purpose vehicle which owns and operates the Ormonde Offshore Wind Farm. The Applicant, through wholly owned subsidiaries, is also exploring the potential to develop further offshore wind farms located in the North Sea, off the coast of Norfolk.

2.3 The consolidated accounts of the Applicant for the year ended 2017 stated a total fixed assets of £267,472,000 and investments of £268,794,000 (total £532,266,000). The only changes to the position as set out in the accounts for financial year end are the transfer of the assets comprising the Ray onshore wind farm from the Applicant to a wholly owned subsidiary of the Applicant (Ray Wind Farm Ltd) and the transfer into the Applicant of UK wind entities held by a Dutch affiliate NV Nuon Energy.

3 Funding Claims for Compensation (including blight)

3.1 The development of the proposed Project requires the acquisition of interests in land, rights under and over land, and the temporary use of land.

3.2 A budget for land acquisition which includes option fees, purchased price for permanent and temporary rights (such as easements and leases), and landowner costs was prepared by Blackhall & Powis who are acting for the Applicant. This budget was arrived at by Blackhall & Powis undertaking a line by line analysis of the different landowners from which rights would be required and the nature of such rights for example temporary, permanent, easements, freehold, or leased.

3.3 The budget totals £8.5m is included in the wider Project budget and is split into (i) costs that are required to secure options and other land agreements by agreement and (ii) costs that are required to exercise these options and other land agreements following a positive final investment decision. This budget exceeds what The Applicant has been advised would be payable in the event that any of the interests were to be acquired using the exercise of compulsory acquisition powers.

3.4 It is not anticipated that claims for statutory blight will arise as a result of the promotion of the Order. Should claims for blight arise as a consequence of the application for the Order being made, and before it is known whether the Project will proceed, the costs of meeting blight claims that are upheld will be met from the capital reserves of the Applicant.

3.5 The relevant UK companies in the Vattenfall group have in the past agreed land agreements with landowners and have not required to implement compulsory acquisition powers for existing land based interests in offshore windfarms and on shore wind projects where Electricity Act 1989 powers may be required.

3.6 On the basis of the allocated budget the Applicant has sufficient committed funds and resources available to meet:

- the compensation arising from all compulsory acquisition of land and rights pursuant to the DCO; and
- any statutory blight claims that may arise.

4 Funding The Project - Applicant

4.1 The Applicant has been at the forefront of financing renewable energy projects for more than 10 years. In that time, it has been involved in many significant renewable energy transactions and construction projects in the UK. The Applicant has considerable experience and expertise in financing renewable energy projects.

4.2 The Applicant intends to secure funding for construction of the Project after certainty is obtained on the DCO, the tender process is complete for the major construction contracts and the investment case has been satisfied. Once these criteria are met the Applicant would take a final investment decision which will irrevocably commit funding.

4.3 Where the Applicant proceeds with the Project and implements the Order and where necessary associated compulsory acquisition rights the Applicant:

- will be incentivised to develop a commercially viable project, given the significant development funds that have already been spent on the Project, which will meet its long term objectives to increase renewable energy generation capacity. This approach is the standard model for development of capital intensive generation assets; and
- will have the ability to procure the financial resources necessary to fund the works to be authorised by the Order, subject to final Board authority. The Applicant has the experience and reputation to enable funds to be procured.

4.4 The experience of the Applicant and of the wider industry is that there is no reason to believe that the required funding for the Project would not be available in the period during which compulsory acquisition powers would be available to the Applicant under the Order, if made.

4.5 The Secretary of State can therefore be satisfied that where the Applicant proceeds with the Project and implements the Order and associated compulsory acquisition rights, as a result of the Applicant's experience and reputation, funds are likely to be available to meet the capital expenditure for:

- the cost of the Project;
- the cost of acquiring the land identified in the Order; and
- the cost of compensation otherwise payable in accordance with the Order.

5 Funding The Project – SPV

5.1 If a decision is made to seek to transfer the Project (and the benefit of the Order) into a SPV which is a wholly owned member of the Vattenfall Group prior to implementation or the Order and associated compulsory acquisition rights or construction then this such SPV would likely be one of the following:

- a new subsidiary of the Applicant or another company in the Vattenfall Group; or
- an existing subsidiary of either the Applicant or another company in the Vattenfall Group.

5.2 Article 5 of the draft DCO states:

Benefit of the Order

5.*—(1) Subject to paragraphs (2) and (3), the undertaker may with the written consent of the Secretary of State—*

(a) transfer to another person ("the transferee") any or all of the benefit of the provisions of this Order (excluding the deemed marine licences referred to in paragraph (2) below) and such related statutory rights as may be agreed between the undertaker and the transferee;

(b) grant to another person ("the lessee") for a period agreed between the undertaker and the lessee any or all of the benefit of the provisions of this Order (excluding the deemed marine licences referred to in paragraph (2) below) and such related statutory rights as may be so agreed.

(2) Subject to paragraph (3), the undertaker may with the written consent of the Secretary of State—

(a) where an agreement has been made in accordance with paragraph (1)(a), transfer to the transferee the whole of the deemed generation assets marine licence or the deemed export cable system marine licence, or both, and such related statutory rights as may be agreed between the undertaker and the transferee; or

(b) where an agreement has been made in accordance with paragraph (1)(b), grant to the lessee, for the duration of the period mentioned in paragraph (1)(b), the whole of the deemed generation assets marine licence, or the whole of the deemed export cable system marine licence and such related statutory rights as may be so agreed.

(3) The undertaker must consult the Secretary of State before making an application for consent under this article by giving notice in writing of the proposed application and the Secretary of State must provide a response within four weeks of receipt of the notice.

(4) If the undertaker transfers any of all of the benefit of the provisions of this Order pursuant to paragraph (1) and the transferee is a special purpose vehicle entity specifically created for the purpose of implementing and constructing the authorised development, then other than when the transferee is an offshore transmission operator, the transferee must not begin to exercise the powers provided within Parts 3, 4, 5 and 6 of this Order in relation to any land unless it has first put in place either:

(a) *a guarantee, which may be given by the transferring undertaker, in respect of the liabilities of the undertaker to pay compensation under this Order in respect of the exercise of the relevant power of compulsory acquisition or temporary possession in relation to that land; or*

(b) *an alternative form of security, including a funding agreement between the transferring undertaker and the transferee or the transferee and a third party, for that purpose which has been approved by the Secretary of State.*

(5) Such guarantee or alternative form of security given in respect of any liability of the undertaker to pay compensation under the Order is to be treated as enforceable against the guarantor by any person to whom such compensation is payable and must be in such form as to be capable of enforcement by such a person.

(6) Such guarantee or alternative form of security will have a maximum liability cap of £8,500,000.

(7) Such guarantee or alternative form of security is to be in place until no later than the date on which, if a referral is made to the Tribunal, it could be defended by the undertaker or transferee on the ground that the relevant period for such any claims has expired and the Limitation Act 1980 applies so as to time-bar such claims or such later date as when all such claims validly made have either been settled or determined by the Tribunal.

…

(11) Where paragraph (15) applies no consent of the Secretary of State is required under paragraph (1) or paragraph (2).

…

(14) Where an agreement has been made in accordance with paragraph (1) or (2)—

(a) the benefit ("the transferred benefit") includes any rights that are conferred, and any obligations that are imposed by virtue of the provisions to which the benefit relates; (b) the transferred benefit resides exclusively with the transferee or, as the case may be, the

lessee and the transferred benefit is not enforceable against the undertaker save in the case of a deemed marine licence transferred or granted in respect of any breach of an obligation by the undertaker which occurs prior to such transfer or grant or which occurs as a result of any activity carried out by the undertaker on behalf of the transferee.

(15) This paragraph applies where—

(a) the transferee or lessee is a person who holds a licence under the Electricity Act 1989; or

(b) the time limits for claims for compensation in respect of the acquisition of land or effects upon land under this Order have elapsed and—

(i) no such claims have been made,

(ii) any such claim has been made and has been compromised or withdrawn,

(iii) compensation has been paid in final settlement of any such claim,

(iv) payment of compensation into court has taken place in lieu of settlement of any such claim; or

(v) it has been determined by a tribunal or court of competent jurisdiction in respect of any such claim that no compensation is payable.

5.3 The Applicant anticipates that where consent of the Secretary of State is required prior to transfer of the benefit of the Order (or part thereof) the Applicant will require to satisfy the Secretary of State that funds are likely to be available to the SPV to meet the capital expenditure for:

- the cost of the Project;
- the cost of acquiring the land identified in the Order; and
- the cost of compensation otherwise payable in accordance with the Order.

5.4 If the SPV is a new company or does not have sufficient financial standing at the time a request is made to satisfy the Secretary of State that it has funds or the financial standing to meet claims resulting from the implementation of the compulsory acquisition powers in the Order, then the Applicant anticipates that a funding agreement would be entered into between the proposed transferee SPV and either the Applicant or (where the proposed transferee SPV is not a subsidiary of the Applicant) another company within the Vattenfall Group that would be acceptable to the Secretary of State. Such funding agreements are used for other offshore wind farm development projects and would commit the Applicant or such other company acceptable to the Secretary of State to put the SPV in funds for the payments of legitimately claimed compensation or to pay the agreed or awarded funds direct to the relevant claimant. As is common the Applicant would anticipate that such funding agreement would have a maximum liability cap of £8.5m reflecting the budget set out above.

5.5 Where the SPV proceeds with the Project and implements the Order and associated compulsory acquisition rights the Applicant:

- will be incentivised to develop a commercially viable project, given the significant development funds that have already been spent on the Project, which will meet its long term objectives to increase renewable energy generation capacity. This approach is the standard model for development of capital intensive generation assets; and

- will have the ability to procure the financial resources necessary to fund the works to be authorised by the Order, subject to final Board authority. As a member of the Vattenfall Group the SPV will have the benefit of the Vattenfall Group's (including that of the Applicant) experience and reputation to enable funds to be procured.

5.6 The experience of the Applicant and of the wider industry is that there is no reason to believe that the required funding for the Project would not be available in the period during which compulsory acquisition powers would be available to the SPV under the Order, if made.

5.7 The Secretary of State can therefore be satisfied that where an SPV proceeds with the Project and implements the Order and associated compulsory acquisition rights, as a result of the Applicant and the Vattenfall Group's experience and reputation, funds are likely to be available to meet the capital expenditure for:

- the cost of the Project;

- the cost of acquiring the land identified in the Order; and

- the cost of compensation otherwise payable in accordance with the Order.

5.8 Whilst the above scenarios envisage that any transfer of the Project would be to a company within the Vattenfall group the Applicant notes that the Project could be transferred to company or similar that is not part of the Vattenfall Group. In this case the provisions of article 5 of the DCO would again apply and the Applicant and the proposed transferee would need to satisfy the Secretary of State that the transferee would have sufficient financial standing or support to meet the capital expenditure for:

- the cost of the Project;
- the cost of acquiring the land identified in the Order; and
- the cost of compensation otherwise payable in accordance with the Order.

6 Conclusions

6.1 Appropriate funding for liabilities for compensation arising from the acquisition of land and rights, the creation of new rights and for statutory blight will be available where compensation is appropriately and reasonably claimed.

6.2 The Applicant or a Vattenfall Group SPV will be able to secure appropriate funds both for compensation to landowners and for the construction of the Project. The Applicant and the Vattenfall Group has a track record in securing similar schemes, and is capable of securing and providing such funds individually.

6.3 The Secretary of State can therefore be satisfied both that funding is likely to be available for claims for compensation by landowners and also that the Project is soundly backed and there is no reason to believe that, if the Order is made, the Project will not proceed.

Vattenfall Wind Power Ltd

Thanet Extension Offshore Wind Farm

Annex A to Appendix 5 to Deadline 3 Submission: Vattenfall Wind Power Ltd Financial Statement 2017

Relevant Examination Deadline: 3

Submitted by Vattenfall Wind Power Ltd

Date: March 2019

Revision A

Drafted By:	Vattenfall Wind Power Ltd
Approved By:	Mike Gettinby
Date of Approval:	March 2019
Revision:	A

Revision A	Original Document submitted to the Examining Authority within the Application
N/A	
N/A	
N/A	

Registered number: 06205750

VATTENFALL WIND POWER LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

VATTENFALL WIND POWER LTD

COMPANY INFORMATION

Directors	Gunnar Groebler Piers Guy Robert Zurawski Jonas Van Mansfeld
Company secretary	Sandra Leece
Registered number	06205750
Registered office	First Floor 1 Tudor Street London EC4Y 0AH
Independent auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

VATTENFALL WIND POWER LTD

CONTENTS

VATTENFALL WIND POWER LTD

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 further structuring of the UK business for Vattenfall has evolved. In relation to the transfers done in 2016 for the East Anglia Offshore Wind (EAOW) development areas and joint venture assets, the Company purchased the entity Eclipse Energy Company Limited from the other Vattenfall Group entity Eclipse Energy UK Limited (now Vattenfall UK Sales Limited) at its book value of £100. It renamed this entity to Norfolk Boreas Limited with the purpose of developing that part of the East Anglia zone in that entity. The other entity established for that purpose is Norfolk Vanguard Limited.

In this restructuring Norfolk Vanguard Limited has issued shares for £25 million to fund the assets acquired. In line with internal policies regarding the point of cost capitalisation for development projects in Norfolk Vanguard Limited the asset was written down to its expected recoverable amount as at 31 December 2017 and, therefore, the corresponding investment was also written off in the Company.

Furthermore, other business areas of Vattenfall group are pursuing business in the UK actively. For that purpose the Company has sold three of its undertakings to Vattenfall AB (the Vattenfall Group holding). BW OPS Limited (now Vattenfall Heat UK Limited), Border Wind Farms Limited (now Vattenfall Networks Ltd) and Border Wind Limited (now Vattenfall Network Solutions Ltd) have transferred the shareholding at their book values of £2, £2 and £450 respectively.

During the year the Company took into operation its onshore wind farm called Ray Wind Farm in England within the United Kingdom. By mid 2017 the wind farm had all turbines producing power and the Company took over from its suppliers in the third quarter of 2017. The Company has the intention to transfer the assets and related liabilities of this wind farm to its 100% subsidiary undertaking, Ray Wind Farm Limited, in 2018.

During the year the Company has issued new shares for a value of £105 million to fund the further growth of the asset portfolio, mainly through its undertakings.

On 1 January 2016, the Company sold 49% of their shares in Ormonde Energy Limited, a subsidiary undertaking, to AMF Pensionsförsäkring AB.

In March 2016 a 5MW solar panel park has begun operation next to Vattenfall's Welsh wind farm, Pendine. With this park, Vattenfall shows its ambition to further develop its strategy into the solar panel market.

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 50 billion Swedish Krona in new wind farms over the next five years.

In the financial year 2017, Vattenfall Group operated more than 1,100 wind turbines. As part of its strategy, Vattenfall is also further developing and constructing additional wind farms. Two additional wind farms were commissioned in 2017 and four additional wind farms were under construction at 31 December 2017. Of those four under construction, two are expected to commence operations in 2018 and two are expected to commence operations around 2022.

The Company made a profit before taxation for the year ended 31 December 2017 of £284 thousand (2016: profit of £79,480 thousand) based on turnover of £47,984 thousand (2016: £32,026 thousand).

Key performance indicators ("KPIs")

The principle KPI for the Company is project milestones, where budget, schedule, quality and safety are measured individually.

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 and performing project management which results in adequate and timely construction services being delivered.

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

[redacted]

Jonas Van Mansfel[redacted]
Director

[redacted]ate: 21-06-2018

VATTENFALL WIND POWER LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

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 activities consist of the development, construction and operation of wind energy projects in the United Kingdom. The Company is a private limited company, domiciled in the United Kingdom and incorporated in England and Wales. During the year the Company's immediate parent undertaking was Vattenfall Vindkraft AB, a company registered in Sweden. The ultimate parent undertaking of the Company 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.

Results and dividends

The loss for the year, after taxation, amounted to £980 thousand (2016 - profit £81,990 thousand).

Dividend paid in the year is £nil (2016: £nil).

Directors

The directors who served during the year were:

Ole Bigum Nielsen (resigned 30 April 2017)
Carl Martin Reinholdsson (resigned 1 July 2017)
Peter Tornberg (resigned 1 July 2017)
Anthony James Wort (resigned 1 July 2017)
Gunnar Groebler
Piers Guy
Robert Zurawski
Jonas Van Mansfeld

Political and charitable contributions

During the year the Company made charitable contributions for educational purposes totalling £nil (2016: £200).

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

The Company has the plan to transfer the assets of the Ray Wind Farm and related liabilities to its 100% undertaking Ray Wind Farm Limited. This transfer is done in line with the majority of all of the Company's other assets which are separated in asset NPV's.

As a next step in the further structuring of the UK business of Vattenfall Group, the other Wind entities held by Vattenfall's 100% Dutch undertaking NV Nuon Energy will be transferred to the Company during 2018. This transfer will be executed as an intercompany transaction in which Vattenfall Group ownership shares are not changing and therefore will be executed at cost.

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.

[redacted]

Director [redacted]

[redacted] Date: 21-06-2018

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VATTENFALL WIND POWER LTD

Opinion

We have audited the financial statements of Vattenfall Wind Power Ltd (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, 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 2017 and of its loss 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 Auditor's responsibilities for the audit of the financial statements section of our report below. 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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. 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 VATTENFALL WIND POWER LTD (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 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.

[redacted]

Stuart Darrington (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP

London

Date: 25 June 2018

VATTENFALL WIND POWER LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover	4	**47,984**	32,026
Cost of sales		**(56,615)**	(47,843)
Gross loss		**(8,631)**	(15,817)
Administrative expenses		**(32,882)**	(24,736)
Other operating income	5	**33,674**	29,678
Operating loss	6	**(7,839)**	(10,875)
Income from fixed assets investments	9	**15,593**	9,551
Write down of fixed asset investments	14	**(21,301)**	-
Profit on disposal of investments	14	**-**	75,140
Interest receivable and similar income	10	**15,003**	12,776
Interest payable and expenses	11	**(1,172)**	(7,112)
Profit before tax		**284**	79,480
Tax on profit	12	**(1,264)**	2,510
(Loss)/profit for the financial year		**(980)**	81,990
Total comprehensive income for the year		**(980)**	81,990

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income. All amounts relate to continuing operations.

The notes on pages 13 to 31 form part of these financial statements.

VATTENFALL WIND POWER LTD
REGISTERED NUMBER:06205750

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		2016 £000
Tangible assets	13		**267,472**		270,162
Investments	14		**268,794**		267,095
			536,266		537,257
Current assets					
Stocks	15	**4,983**		3,890	
Debtors due within 1 year	16	**439,178**		621,141	
Financial instruments	19	**246**		1,126	
Cash at bank and in hand	17	**18,278**		-	
		462,685		626,157	
Creditors: amounts falling due within 1 year	18	**(80,695)**		(349,987)	
Net current assets			**381,990**		276,170
Total assets less current liabilities			**918,256**		813,427
Provisions for liabilities					
Deferred taxation	20	**(7,698)**		(6,145)	
Other provisions	21	**(11,592)**		(12,336)	
			(19,290)		(18,481)
Net assets			**898,966**		794,946
Capital and reserves					
Called up share capital	22		**787,000**		682,000
Retained earnings			**111,966**		112,946
Total equity			**898,966**		794,946

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

[redacted]

Date: 21-06-2018

The notes on pages 13 to 31 form part of these financial statements.

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	682,000	112,946	794,946
Comprehensive income for the year			
Loss for the year	-	(980)	(980)
Total comprehensive income for the year	-	(980)	(980)
Shares issued during the year	105,000	-	105,000
At 31 December 2017	787,000	111,966	898,966

VATTENFALL WIND POWER LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2016	682,000	30,956	712,956
Comprehensive income for the year			
Profit for the year	-	81,990	81,990
Total comprehensive income for the year	-	81,990	81,990
At 31 December 2016	682,000	112,946	794,946

The notes on pages 13 to 31 form part of these financial statements.

1. Authorisation of financial statements

The financial statements of Vattenfall Wind Power Ltd (the "Company") for the year ended 31 December 2017 were approved by the board and authorised for issue on 21 June 2018 and the Balance Sheet was signed on the board's behalf by Jonas Van Mansfeld. Vattenfall Wind Power Ltd is incorporated and domiciled in England and Wales.

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

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.

There are no new and amended IFRS and IFRIC interpretations mandatory as of 1 January 2017 which have a material impact on the Company.

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 9 Financial instruments (effective in the EU 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective in the EU 1 January 2018)
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration (effective in the EU 1 January 2018)
- 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)

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.

The directors do not anticipate that adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application.

IFRS I5 Revenue from Contracts

The directors do not anticipate that adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application.

2.4 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.

Revenue represents income earned from the sale of electricity, and separate sale of environmental credits, and excludes value added tax. Revenue is recognised or accrued at the time of supply. All revenue originates in the United Kingdom.

2. Accounting policies (continued)

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.

2.6 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:

Freehold property	- 20 years
Wind farm - gearboxes and generators	- 10 years
Solar farm	- 20 years
Fixtures, fittings & equipment	- 5 years
Wind farm - decommissioning asset	- 20 years
Wind farm - tower, blades, foundations etc	- 20 years

2. Accounting policies (continued)

2.7 Leasing

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

2.8 Impairment of fixed assets

Assets that are subject to depreciation are assessed at each Balance Sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each Balance Sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Investments

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.11 Debtors

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.

2. Accounting policies (continued)

2.12 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.

2.13 Borrowing costs

Where material to the Company, general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 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 recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss
Financial assets at fair value through profit and loss are carried in the Balance Sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the Statement of Comprehensive Income.

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

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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.

2.15 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.

2.16 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. Accounting policies (continued)

2.17 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.

2.18 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.19 Interest income

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

2.20 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.

2.21 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)*

2.22 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 2017/2018 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 £2,081 thousand (2016: £NIL) of accrued income in respect of the Company's share of the Ofgem Buyout Funds.

4. Turnover

The total turnover of the Company has been derived from its principal activity.

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

5. Other operating income

	2017	2016
	£000	£000
Other operating income	**33,674**	29,678

Other operating income relates to costs recharged to other group undertakings.

6. Operating loss

The operating loss is stated after charging:

	2017	2016
	£000	£000
Depreciation of tangible fixed assets	**17,035**	14,269
Impairment of tangible fixed assets	**29**	61
Exchange differences	**(1,392)**	4,815
Defined contribution pension cost	**1,221**	1,043
Operating leases and equipment hire	**3,336**	2,444

7. 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.

	2017	2016
	£000	£000
Fees for audit services	**45**	51

8. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	**13,658**	12,106
Social security costs	**1,593**	1,394
Cost of defined contribution scheme	**1,221**	1,043
	16,472	14,543

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 £164 thousand (2016: £198 thousand). All of the remuneration was paid by another Vattenfall Group company.

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 *No.*
Employees, of which 6 (2016: 7) are directors	**226**	221

9. Income from investments

	2017 £000	2016 £000
Dividends received	**15,593**	9,551

10. Interest receivable and similar income

	2017 £000	2016 £000
Gain on foreign exchange transactions	-	6,003
Fair Value Movement on currency derivatives	-	321
Interest receivable from group companies	**15,003**	6,452
	15,003	12,776

11. Interest payable and expenses

	2017 £000	2016 £000
Interest payable on loans from group undertakings	**30**	234
Fair Value Movement on currency derivatives	**926**	6,758
Unwinding of discount on decommissioning provision	**216**	120
	1,172	7,112

12. Taxation

	2017 £000	2016 £000
Group taxation relief		
Current year	**(2)**	(3,747)
Adjustments in respect of previous periods	**(287)**	(427)
Total current tax	**(289)**	(4,174)
Deferred tax		
Origination and reversal of timing differences	**1,329**	2,753
Changes to tax rates	**(23)**	(1,324)
Adjustments in respect of previous periods	**247**	235
Total deferred tax	**1,553**	1,664
Taxation on profit/(loss) on ordinary activities	**1,264**	(2,510)

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	**284**	79,480
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	**55**	15,896
Effects of:		
Expenses not deductible for tax purposes	**173**	48
Impact of changes in tax laws and rates	**(23)**	(1,324)
Adjustments to tax charge in respect of prior periods	**(39)**	(192)
Dividends from UK companies	**(3,002)**	(1,910)
Gain on disposal of investments	**-**	(15,028)
Write down of investment in subsidiary	**4,100**	-
Total tax charge/(credit) for the year	**1,264**	(2,510)

Factors that may affect future tax charges

In the Budget 2016 the UK Government announced that the main rate of corporation tax would be reduced to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020. These rates were 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.

Dividend income of £15,593 thousand (2016: £9,551 thousand) received from a subsidiary company, Ormonde Energy Limited, was treated as non-taxable due to the application of the UK dividend exemption.

13. Tangible fixed assets

	Freehold property £000	Wind farm £000	Solar farm £000	Fixtures, fittings & equipment £000	Wind farm decommissioning asset £000	Assets under construction £000	Total £000
Cost or valuation							
At 1 January 2017	2,137	205,286	4,653	3,949	11,818	86,843	314,686
Additions	-	-	-	99	-	15,236	15,335
Transfers between classes	-	85,978	-	28	-	(86,006)	-
Adjustment to asset	-	-	-	-	(960)	-	(960)
At 31 December 2017	2,137	291,264	4,653	4,076	10,858	16,073	329,061
Depreciation							
At 1 January 2017	99	39,466	232	2,837	695	1,195	44,524
Charge for the year on owned assets	137	15,916	232	450	301	-	17,036
Impairment charge	-	29	-	-	-	-	29
At 31 December 2017	236	55,411	464	3,287	996	1,195	61,589
Net book value							
At 31 December 2017	1,901	235,853	4,189	789	9,862	14,878	267,472
At 31 December 2016	2,038	165,820	4,421	1,112	11,123	85,648	270,162

Tangible fixed assets (continued)

The decommissioning asset increased based on updates made to the calculation of the decommissioning provision. The opposite effect is shown in the decommissioning provision (see Note 21).

14. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2017	**267,095**
Additions	**25,000**
Disposals	**(2,000)**
Amounts written off	**(21,301)**
At 31 December 2017	**268,794**
Net book value	
At 31 December 2017	**268,794**
At 31 December 2016	267,095

Additions

During the year the Company subscribed for 25,000,000 Ordinary shares of £1 each in Norfolk Vanguard Limited for total consideration of £25,000 thousand.

Disposals

During the year the Company disposed of 2,000,000 Ordinary shares of £1 each in East Anglia Offshore Wind Limited for total consideration of £nil.

The profit on disposals for the year totalled £nil (2016: £75,140 thousand).

Amounts written off

During the year the Company wrote down the investment in Norfolk Vanguard Limited by £21,301 thousand to its expected recoverable amount as at 31 December 2017.

14. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Ormonde Energy Limited	Ordinary	51 %	Power generation
Clashindarroch Wind Farm Limited	Ordinary	100 %	Power generation
Aberdeen Offshore Wind Farm Limited	Ordinary	100 %	Wind farm development
East Anglia Offshore Wind Limited (Joint venture)	Ordinary	50 %	Wind farm development
Aberdeen Wind Deployment Centre Limited	Ordinary	100 %	Dormant
Ourack Wind Farm One Limited	Ordinary	100 %	Dormant
Ourack Wind Farm Two Limited	Ordinary	100 %	Dormant
Ray Wind Farm Limited	Ordinary	100 %	Dormant
Norfolk Vanguard Limited	Ordinary	100 %	Wind farm development

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
Ormonde Energy Limited	**266,592**	**2,205**
Clashindarroch Wind Farm Limited	**17,896**	**1,839**
Aberdeen Offshore Wind Farm Limited	**80,585**	**(4,656)**
East Anglia Offshore Wind Limited (Joint venture)	**7,900**	**-**
Norfolk Vanguard Limited	**(3,841)**	**(3,447)**

15. Stocks

	2017 £000	2016 £000
Spare parts	**4,983**	3,890

16. Debtors

	2017 £000	2016 £000
Trade debtors	**600**	281
Amounts owed by group companies	**410,998**	286,031
Other debtors	**2,888**	3,686
Prepayments and accrued income	**24,692**	331,143
	439,178	621,141

17. Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	**18,278**	-

18. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	**7,028**	14,559
Amounts owed to group companies	**46,823**	322,389
Taxation and social security	**2,290**	1,578
Other creditors	**3,631**	5,576
Accruals and deferred income	**20,923**	5,885
	80,695	349,987

19. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets measured at fair value through profit or loss	**18,523**	1,126
Financial assets that are debt instruments measured at amortised cost	**439,140**	619,275
	457,663	620,401
Financial liabilities		
Financial liabilities measured at amortised cost	**(59,020)**	(344,093)
	(59,020)	(344,093)

Financial assets measured at fair value through profit or loss comprise bank balances and forward foreign currency derivative contracts.

Financial assets measured at amortised cost comprise loans and receivables, the majority of which are made up of amounts owed by group companies and accrued income.

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

20. Deferred taxation

	2017 £000
At beginning of year	**(6,145)**
Charged to the Statement of Comprehensive Income	**(1,553)**
At end of year	**(7,698)**

The provision for deferred taxation is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	**(10,993)**	(9,336)
Tax losses carried forward	**2,451**	2,374
Short term timing differences	**845**	817
	(7,697)	(6,145)

21. Other provisions

	Decommissioning provision £000
At 1 January 2017	**12,336**
Effect of change in estimate	**(960)**
Unwinding of discount	**216**
At 31 December 2017	**11,592**

Decommissioning provision

Provision has been made for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using an average discount rate of 1.69% (2016: 1.73%).

22. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
787,000,001 (2016 - 682,000,001) Ordinary shares of £1 each	**787,000**	682,000

During the year the Company issued £105,000 thousand Ordinary shares of £1 each.

23. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	**318**	318
Later than 1 year and not later than 5 years	**806**	169
	1,124	487

The operating lease commitments disclosed above relate entirely to the rental of office premises on Tudor Street, London, the registered office of the Company.

In August 2008 the Company entered into a 25 year lease of an area of land where it operates. The operating lease rental charge is based on MWh generation. As such the commitment for the following year cannot be established in advance. The rental cost for the year ended 31 December 2017 was £619 thousand (2016: £527 thousand).

24. Ultimate parent undertaking and controlling party

At 31 December 2017, the immediate parent undertaking is Vattenfall Vindkraft AB, a company registered in Sweden. The Directors regard Vattenfall AB, a company registered in S-162 87 Stockholm, Sweden as the Company's controlling party and ultimate parent undertaking.

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