

**Company Registration No. 05742795**

**Statkraft UK Limited**

**Annual Report and Financial Statements  
for the year ended 31 December 2014**

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## **Officers and professional advisers**

### **Directors**

Sergio Castedo  
Bjørn Drangsholt (resigned 3 August 2015)  
Duncan Forsyth (resigned 31 July 2014)  
Olav Hetland  
David Rumble (appointed 25 September 2014)  
Jon Vatnaland (appointed 3 August 2015)

### **Secretary**

E Voss

### **Registered Office**

41 Moorgate  
London  
EC2R 6PP

### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

### **Bank**

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 Statkraft UK Limited (the “Company”) is to develop, construct, operate and maintain electricity generation assets through subsidiaries, associates and joint ventures. The Company also provides management services to these various entities.

### **Review of business**

#### *Summary*

During 2014, the Company partially disposed of its investments in Scira Offshore Energy Limited, Statkraft Wind UK Limited, Bailie Wind Farm Holdings Limited and Berry Burn Wind Farm Limited for the purpose of recycling capital for future investments. The Company also disposed of its full investment in Barmoor Wind Power Limited for a gain of £160,000. In September, the Company acquired the remaining 50% of the shares in Andershaw Wind Power Limited. Furthermore the Company made equity contributions (without changing its ownership percentage) into Dudgeon Offshore Wind Limited to allow development work to continue. Berry Burn wind farm was commissioned in April 2014. After the partial disposal of Scira Offshore Energy Limited in November 2014, the power purchase agreement was replaced, meaning that the power is now sold directly to Statkraft Markets GmbH, rather than passing through the Company.

#### *Financial performance*

The Company saw revenues increase relating to services being performed for other group companies, its subsidiaries and its joint ventures, reflecting increased level of development activity in the UK. The margin that the Company earned on power sales from the Sheringham Shoal wind farm terminated in November 2014 when a new power purchase agreement was signed directly with Statkraft Markets GmbH. The total revenues in 2014 were £9,855,000 (2013: £9,800,000).

The Company earned significant gains in the year from its partial disposal of its investments in Scira Offshore Energy Limited, Statkraft Wind UK Limited, Bailie Wind Farm Holdings Limited and Berry Burn Wind Farm Limited, the Company made a capital gain of £100,702,000 in 2014 (2013: £nil).

Administrative expenses increased in 2014 as a result of legal and advisory fees in relation to the various capital recycling projects.

Finance income increased to £2,235,000 in the year (2013: £858,000) as a result of dividend income received from Wind UK Invest Limited in December 2014.

The annual result of a profit of £89,743,000 (2013: loss of £6,300,000) is after charging interest on loans from group companies of £702,000 (2013: £871,000).

### *Financing*

The Company is financed through a mixture of debt and equity. As at 31 December 2014 shareholder investment was £385,410,000 (2013 £369,910,000). Remaining funding was provided from Statkraft Treasury Centre through loans of £18,500,000, repayable in 2017, and £20,000,000, repayable in 2021. The directors believe these loans will be repaid in accordance with the scheduled repayments. Liquidity is kept through cash reserves as part of the Statkraft Group cash pooling facility.

### *Subsequent events*

In February 2015, the Company acquired a 50% shareholding in Triton Knoll Offshore Wind Limited, a development project with consent to construct an offshore wind farm off the East coast of England.

In May 2015, Spittal Hill wind farm had its second attempt at planning permission denied. This has effectively ended the project's chances of building a wind farm. The Company's full investment of £119,000 has been impaired in 2015.

On 8 July 2015, the UK Chancellor of the Exchequer presented the UK Government's summer emergency budget. Included in this budget were adjustments to the tax regime, including to the Climate Change Levy (CCL). The resulting effects are that Statkraft's existing operating assets will no longer receive income from Levy Exemption Certificates (LEC's); this change came into effect in August 2015. Formerly, LEC income was expected to last until 2023. The impacts from this change in policy have been estimated and will reduce total revenues in companies partly owned by Statkraft by £8,767,000.

### *Corporate social responsibility and health & safety*

The Company strives to achieve an open and constructive dialogue with all stakeholders and is working to develop the Company in a manner which increases the value for the ultimate parent and the local community in which the Company operates. The Company takes the health & safety of all of its stakeholders very seriously and has in place well defined policies for monitoring and mitigation.

During the year there were no serious injuries or fatalities involving employees of the Company.

*Principal risks and uncertainties*

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

- Lower available wind speeds and rainfall levels would impact the ability of subsidiary companies to generate revenue, impacting their recoverable amount. This is mitigated through developing a range of projects which have an operating life that spans the average wind speed and rainfall cycles in the UK
- There is a risk of adverse legislation changes against the Company impacting its ability to make returns on the investments 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 commitment for the country to produce 15% of energy from renewable sources by 2020.
- The Company faces a risk of reputational damage to itself and its ultimate parent, Statkraft SF. The Company ensures that all its investments operate in a manner appropriate to the values of the parent company.
- There is a risk that projects do not reach planning consent or do not achieve required returns. The Company makes investments, during development, through the stage gate decision model which minimises development costs in line with Statkraft's risk management policies.
- There is a risk that Statkraft cannot complete projects to plan leading to costs exceeding plan, reducing return on investments. The Company, through the various subsidiaries, monitors all projects closely to ensure that they are delivered according to plan.
- The failure of power plants could lead to high reinvestment costs. The Company has maintenance contracts in place in the event of such failures, warranties from the suppliers, and insurance policies to cover interruptions.

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



Jon Vatnaland  
Director

17 September 2015

## **Directors' report**

The directors present the annual report and the audited financial statements for the year ended 31 December 2014.

### **Going concern**

The Company is in a net asset position with a strong cash balance as at 31 December 2014, far exceeding its total liabilities. On this basis the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the financial statements.

Further detail regarding the adoption of the going concern basis can be found in note 2 of the financial statements.

### **Results for the year and dividends**

The profit for the year after tax amounted to £89,743,000 (2013: loss £6,300,000). The directors do not recommend the payment of a dividend (2013: £nil).

### **Directors**

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

Sergio Castedo

Bjørn Drangsholt (resigned 3 August 2015)

Duncan Forsyth (resigned 31 July 2014)

Olav Hetland

David Rumble (appointed 25 September 2014)

Jon Vatnaland (appointed 3 August 2015)

### **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 total charitable donations of £2,210 in the year (2013: £750).

The Company made no political donations during the year (2013: £nil).

## **Directors' report (continued)**

### **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 themselves 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

During the year, Deloitte LLP was reappointed as auditor to the Company

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



Jon Vatnaland  
Director

17 September 2015

## **Statement of directors' responsibilities**

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 Statkraft UK Limited**

We have audited the financial statements of Statkraft UK Limited for the year ended 31 December 2014 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 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

As explained more fully in the Directors' Responsibilities Statement, 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 2014 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  
21 September 2015

## Income statement for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Revenue</b>	5	<b>9,855</b>	9,800
Administrative expenses		<b>(21,490)</b>	(15,508)
<b>Operating loss</b>	6	<b>(11,635)</b>	(5,708)
Gain on sale of shares	10, 11	<b>100,702</b>	-
Investment revenue	7	<b>2,235</b>	858
Finance costs	7	<b>(1,559)</b>	(1,450)
<b>Profit/(loss) before tax</b>		<b>89,743</b>	(6,300)
Taxation	8	-	-
<b>Profit/(loss) for the year</b>		<b>89,743</b>	(6,300)

The current and prior year results have been derived wholly from continuing operations.

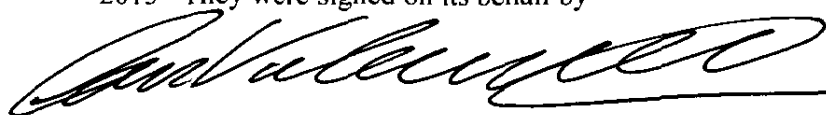
There was no income or expense in either year presented other than that disclosed above  
Accordingly, further analysis to show a Statement of comprehensive income is not presented

## Statement of financial position as at 31 December 2014

(Registered number 05742795)

	Notes	31 December 2014 £'000	31 December 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9	355	407
Investments in subsidiaries	10	28,848	84,738
Investments in joint ventures and associates	11	247,307	235,720
Loans to subsidiaries and joint ventures	12	8,445	20,677
Other non-current assets	13	185	164
		<u>285,140</u>	<u>341,706</u>
<b>Current assets</b>			
Trade and other receivables	14	27,008	37,405
Cash and bank balances		167,455	4,089
		<u>194,463</u>	<u>41,494</u>
<b>Total assets</b>		<u>479,603</u>	<u>383,200</u>
<b>Current liabilities</b>			
Trade and other payables	15	26,417	35,257
Provisions	16	80	80
		<u>26,497</u>	<u>35,337</u>
<b>Non-current liabilities</b>			
Borrowings	17	38,500	38,500
<b>Total liabilities</b>		<u>64,997</u>	<u>73,837</u>
<b>Net assets</b>		<u>414,606</u>	<u>309,363</u>
<b>Equity</b>			
Share capital	18	385,410	369,910
Retained earnings/(deficit)		29,196	(60,547)
<b>Total equity</b>		<u>414,606</u>	<u>309,363</u>

The notes on pages 16 to 39 are an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2015. They were signed on its behalf by

  
Jon Vatnaland  
Director

## Statement of changes in equity for the year ended 31 December 2014

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013		311,850	(54,247)	257,603
Shares issued	18	58,060	-	58,060
Loss for the year		-	(6,300)	(6,300)
<b>At 31 December 2013</b>		<b>369,910</b>	<b>(60,547)</b>	<b>309,363</b>
At 1 January 2014		369,910	(60,547)	309,363
Shares issued	18	15,500	-	15,500
Profit for the year		-	89,743	89,743
<b>At 31 December 2014</b>		<b>385,410</b>	<b>29,196</b>	<b>414,606</b>

## Cash flow statement for the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Net cash used in operating activities</b>	19	(10,823)	(1,856)
<b>Cash flows used in investing activities</b>			
Interest received		829	331
Proceeds from sale of			
subsidiaries		115,583	-
joint ventures		59,748	-
Purchase of property, plant and equipment		(133)	(297)
Investments in associates		-	(119)
Acquisition of shares in			
- subsidiaries		(11,214)	(19,557)
- joint ventures		(18,330)	(14,788)
Dividend income from joint ventures		1,122	
<b>Net cash from/(used in) investing activities</b>		<b>147,605</b>	<b>(34,430)</b>
<b>Cash flows from financing activities</b>			
(Repayment)/proceeds on issue of interest bearing liabilities			
Group loan		-	(35,000)
Loan repayments from			
subsidiaries		13,857	
joint ventures		695	
Loans granted to subsidiaries and joint ventures		(3,468)	(650)
Proceeds on issue of ordinary shares		15,500	58,060
<b>Net cash generated from financing activities</b>		<b>26,584</b>	<b>22,410</b>
Net increase/(decrease) in cash during the year		163,366	(13,876)
Cash at beginning of the year		4,089	17,965
<b>Cash at end of the year</b>		<b>167,455</b>	<b>4,089</b>

## **Notes to the financial statements**

### **1. Corporate information**

Statkraft UK Limited (“the Company”) is a holding company and was incorporated on 14 March 2006 as a limited company, registered in England and Wales with registered number 05742795. 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, and the smallest and largest group to consolidate these financial statements, is Statkraft AS (incorporated in Norway). Statkraft SF is the ultimate controlling party and owns 100% of the Company’s shares. The group financial statements can be obtained from Statkraft SF, Lilleakerveien 6, Postboks 200, Lilleaker 0216, Oslo, Norway or [www.statkraft.com](http://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 and IFRIC interpretations. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union. 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.

The Company has elected to utilise the exemption provided in paragraph 10 of the IAS 27 ‘Consolidated and Separate Financial Statements’ and the exemption in section 400 of the Companies Act 2006 and has not prepared consolidated accounts. The financial statements of the Company and its subsidiary undertakings are consolidated in the financial statements of its parent, Statkraft AS, a company incorporated in Norway for which financial statements are publicly available from Statkraft AS, Lilleakerveien 6, Postboks 200, Lilleaker 0216, Oslo, Norway. These financial statements therefore present information about the Company as an individual entity.

#### 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 Strategic Report and the Directors’ Report also set 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 in a net asset position with a strong cash balance as at 31 December 2014, far exceeding its total liabilities. Considering all relevant factors, including review of the Company’s cash flow forecasts and relationship with its shareholder, 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.

## 2.2 Changes to accounting policies, new accounting standards and interpretations

The following relevant new and amended standards and interpretations have been implemented for the first time in 2014:

- **IAS 36 Impairment of Assets** The change means that information of the recoverable amount of the impaired asset must be presented when the recoverable amount is based on fair value less transaction cost. This change should be seen in context with IFRS 13 - Fair Value Measurement. The change is adopted from 1 January 2014 going forward.
- **IAS 32 Financial Instruments – Presentation** IAS 32 has been changed in order to clarify the meaning of “currently has a legally enforceable right to set-off”. Furthermore, the change has been made to clarify the use of the criteria for counterclaim for “simultaneous realization and settlement”. The change is adopted from 1 January 2014 going forward.

At the time of adoption of these financial statements, the following relevant standards are issued by the IASB and effective for the financial year 2015:

- **IFRIC 21 Levies: Interpretation of when an obligation to pay levies related to the company’s ordinary activities arises** This does not include levies related to income taxes, fines etc. The interpretation clarifies that recognition of the liability should be made when the activity which leads to the liability occurs. The change will have an effect on the accrual of expensed levies between different quarters. However, the interpretation is not believed to have any effect on the financial year as a whole.
- **IAS 19 Employee Benefits** The amendments to IAS 19 clarify how an entity should account for contributions made by employees of third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

IASBs improvement programme 2010, 2012 and 2013

- **IFRS 3 Business Combinations:** The change clarifies that contingent considerations which are classified as either assets or liabilities should be measured at fair value at each reporting day in accordance with IAS 32 Financial Instruments – Presentation. The existing reference to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets is removed (2012). Furthermore, the standard now clarifies that IFRS 3 is not applicable to the financial statement of any joint venture as defined in IFRS 11 Joint Arrangements.
- **IFRS 13 Fair Value Measurement** Clarification that the scope of the portfolio-exception includes all financial instruments as defined in IAS 39 and IFRS 9. This is regardless of whether they are defined as a financial asset or financial liability according to IAS 32.

Interpretations not approved, but relevant for Statkraft which can have an effect on the financial statements in future periods:

- **IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates** IASB has proposed changes in IFRS 10 and IAS 28. The change clarifies how to recognise gain and loss when selling or transferring assets to associates and joint ventures. The change is effective for annual periods beginning 1 January 2016 or later. Early implementation is allowed.

- **IFRS 15 Revenue from Contracts with Customers:** The standard applies for all contracts with customers. The main principle is that an entity shall recognise income in a way that reflects the transfer of goods or services to the customers with an amount which reflects what the entity is expecting to receive from the transfer. IFRS 15 is effective for reporting periods beginning 1 January 2017 or later. Early implementation is allowed. The new standard, which replaces IAS 18 Revenue, is not expected to have material impact on the Group's financial statement.
- **IFRS 9 Financial Instruments** IASB has completed IFRS 9 in 2014. The standard comprises new regulation on classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets. The standard is effective for reporting periods starting 1 January 2018 or later. Early implementation is allowed. Evaluation of the potential effects that IFRS 9 has on the Group has begun. IASB's improvement programme 2012-2014.
- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** The changes give guidance when an entity reclassifies non-current assets (or disposal groups) from held for sale to held for distribution to owners (or vice versa). Such reclassifications are not considered to be change of the plan to sell or distribute the noncurrent assets. Thus, the requirements of classification, presentation and measurement according to the new disposal method are valid. Furthermore, the change clarifies that when the criteria for held for distribution is no longer met, the assets are to be presented as assets that are no longer classified as held for sale. The changes require retrospective application.
- **IAS 19 Employee Benefits** The change clarifies that corporate bonds used to determine the discount rate should be issued in the same currency as the pension cost. The change should be implemented at the beginning of the first comparable period presented in the annual accounts.

## 2.3 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 remeasured 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.

#### 2.4 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and is derived from the Company's principal activities, those of supplying project management services to companies that plan, develop, build and operate wind farms for the production of green electricity. Revenue is wholly derived in the United Kingdom

Consultancy income is recognised on an accruals basis in accordance with the underlying agreements. Interest income is recognised on a time-proportion basis using the effective interest method, and mainly comprises interest income on loans to subsidiaries and joint ventures.

Transactions with group companies and subsidiaries, joint ventures and associates in relation to power production and green certificates are treated as an agency relationship and are recognised on an accruals basis in accordance with the underlying agreements

Power sales income relates to the sale to external parties of electricity purchased. Where the Company considers that it has not taken on the significant risks and rewards of ownership as a part of contractual agreements the revenue is recognised on a net basis.

Operating profit is stated before gain on sale of shares

#### 2.5 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

##### 2.5.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a short period, to the net carrying amount on initial recognition

##### 2.5.2 Investments

Investments in group undertakings and other equity investments are equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Therefore they are stated at cost less any provision for permanent diminution in value and net realisable value

##### 2.5.3 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

#### 2.5.4 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.

For investments in group undertakings, other equity investments and other financial assets held at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows.

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.

#### 2.5.5 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.

#### 2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. 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)**

Office fixtures and fittings

3 to 5

#### 2.7 Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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 in order 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 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.

### 2.8.1 Equity

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

### 2.8.2 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.

### 2.8.3 Derecognition of financial liabilities

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

### 2.8.4 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.

## 2.9 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 and associates, and interests in joint ventures, 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

#### 2.10 Employee benefits

Short-term employee benefits, such as salaries, paid absence and other benefits, are accounted for on an accrual basis over the period which employees have provided services in the year Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably All expenses related to employee benefits are recognised in the income statement in staff costs, which are included within administration expenses.

#### 2.11 Post-employment benefits

The Company operates one pension post-employment benefit plan This plan is a defined contribution scheme

##### *Defined contribution scheme*

Defined contribution plans are pension plans under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods

For defined contribution plans, the Company pays contributions to a privately administered pension insurance plan on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due

#### 2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks

### 3. Financial risk management

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

#### *(a) Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian Kroner. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities in foreign currencies. The Company does not use derivative instruments to manage its foreign currency risk.

#### *(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 exposed to credit risk through its loans and other receivables due from its subsidiary undertaking and its joint ventures, whilst they are in the start-up phase of their operations. Only those investments which the Company is satisfied can repay the level of loan offered are granted credit facilities.

#### *(c) 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 profit before tax for the year ended 31 December 2014 would have decreased by £0.3 million (2013: £0.4 million). If interest rates had been 1% lower, the Company's profit before tax for the year ended 31 December 2014 would have increased by £0.3 million (2013: £0.4 million).

#### *(d) Liquidity risk*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of its debt to equity balance. The capital structure of the Company consists of debt – which includes borrowings disclosed in note 17, cash and equity attributable to the shareholders of the Company, comprising issued capital and retained earnings.

There are no specific restrictions on the size of holdings, or on the transfer of shares, which are both governed by the general provisions of the Articles of association and prevailing legislation. No holder has specific rights over the Company's share capital and all issued shares are fully paid. See note 18.

#### 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) Impairment of loans receivable (note 12)*

Loans are made to companies invested in to finance the development of renewable power production. These loans are assessed at each accounting year end for potential impairment. During the year, management considered the valuation of the loans to be equal to their recoverable amount

##### *(b) Carrying value of investments (notes 10 & 11)*

Significant investments are made in subsidiary undertakings, joint ventures, and associated companies. 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, production volume, and value of granted consent are the most important

##### *(c) Classification of investments (notes 10 & 11)*

Significant investments are made in subsidiary undertakings, joint ventures, and associated companies. In some circumstances, due to specific circumstances in the voting and control structure, the percentage holding does not reflect the investment classification.

##### 4.2 Critical judgements in applying the entity's accounting policies

##### *(a) Deferred tax (note 8)*

Deferred tax assets associated with brought forward trading losses are not recognised in the balance sheet. Deferred tax assets are recognised to the extent that the utilisation of the asset is considered probable. Management policy is for the Company to recognise such assets only when profits are made in the year and are expected to continue in the immediate future

##### *(b) Revenue recognition (note 5)*

Revenue is recognised when the amount can be reliably measured, and it is probable that future economic benefits will flow. Where payment is received in advance of the service performed, the amount is deferred and recognised in the period to which the service relates.

## 5. Revenue

An analysis of revenue for the year is as follows

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Recharge of services	8,340	7,613
Net power sales	1,515	2,187
	<u>9,855</u>	<u>9,800</u>

Services income is derived in the United Kingdom and relates to the recharge of project management services to subsidiary undertakings and joint venture companies in relation to operation and the ongoing development of wind farms in the United Kingdom. In addition, the Company recharges fellow group companies for the provision of origination and UK market access services.

Power sales income relates to the sale to external parties of electricity purchased from joint ventures. Where the Company considers that it has not taken on the significant risks and rewards of ownership as a part of contractual agreements the revenue is recognised on a net basis.

## 6. Operating (loss)/profit

The following items have been included in arriving at operating (loss)/profit

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Depreciation	185	134
Fees payable to the Company's auditor for:		
- the audit of the Company's annual accounts	27	27
- tax services	52	52
Operating lease rental payable on property	485	333
Net foreign exchange gain	(28)	(46)

There were no other non-audit services provided by the Company's auditor in either year other than disclosed above.

**7. Net finance costs**

<b>7(a) Investment revenue</b>	<b>Year ended 31 December 2014 £'000</b>	<b>Year ended 31 December 2013 £'000</b>
Interest receivable on bank deposits	587	65
Interest receivable on loans to subsidiaries and joint ventures (see notes 10 & 11)	462	747
Dividend income	1,122	-
Net foreign exchange gain	29	46
Other finance income receivable	35	-
	<u>2,235</u>	<u>858</u>
 <b>7(b) Finance cost</b>	 <b>Year ended 31 December 2014 £'000</b>	 <b>Year ended 31 December 2013 £'000</b>
Interest payable on group cash pools	-	1
Interest expense – group companies	702	871
Other financial costs – group companies	851	547
Other finance costs	6	31
	<u>1,559</u>	<u>1,450</u>

## 8. Taxation

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Current tax</b>		
Current tax on profits for the year	-	-
Total current tax	-	-

The tax on the Company's profit/(loss) is the same as the standard effective rate of corporation tax in the UK for the year ended 31 December 2014 of 21.5% (31 December 2013 23.25%):

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit/(Loss) before tax	89,743	(6,300)
Tax at the UK corporation tax rate of 21.5% (2013: 23.25%)	19,295	(1,465)
Effects of		
(Income)/expenses not deductible for tax	(21,255)	2
Losses carried forward	1,940	1,455
ACAs	20	8
<b>Total tax for the year</b>	-	-

Deferred income tax assets are recognised for tax losses carried forward and other temporary differences only to the extent that realisation of the related tax benefit is probable.

The Company has gross tax losses and temporary differences of £53,334,000 carried forward as at 31 December 2014 (2013: £45,089,000) to use against future taxable income; these tax losses do not have an expiry date. The benefit of tax losses and temporary timing differences has not been recognised in these financial statements due to the uncertainty of their recoverability.

## 9. Property plant and equipment

	2014 £'000	2013 £'000
<b>Cost</b>		
At 1 January	713	416
Additions	133	297
At 31 December	846	713
<b>Accumulated depreciation</b>		
At 1 January	306	172
Charge for the year	185	134
At 31 December	491	306
<b>Net book value</b>		
At 1 January	407	244
<b>At 31 December</b>	355	407

Property, plant and equipment comprise office fixtures and fittings

## 10. Investments in subsidiaries

	31 December 2014 £'000	31 December 2013 £'000
At 1 January	84,738	69,951
Additions	11,214	14,787
Disposals	(67,104)	-
<b>At 31 December</b>	<b>28,848</b>	<b>84,738</b>

Particulars of the Company's investment in shares in subsidiaries, which are stated at cost, were as follows

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held	Cost at 31 December 2014 £'000	Cost at 31 December 2013 £'000
<b>Subsidiary</b>					
Statkraft Wind UK Limited <sup>2,3</sup>	UK	Alltwalis wind farm in Wales	-	-	18,576
Statkraft Energy Limited	UK	Rheidol hydro power plant in Wales	100 %	17,634	17,634
Baillie Windfarm Holdings Limited <sup>2,3</sup>	UK	Baillie wind farm in Scotland	-	-	20,020
Berry Burn Wind Farm Limited <sup>2,3</sup>	UK	Berry Burn wind farm in Scotland	-	-	28,508
Doggerbank Project entities	UK	Dormant holding companies	100%	-	-
Andershaw Wind Power Limited <sup>1</sup>	UK	Development of a wind farm in England	100%	11,214	-
				<b>28,848</b>	<b>84,738</b>

The proportion of the voting rights in the group undertakings held directly by the Company does not differ from the proportion of ordinary shares held

<sup>1</sup> On 11 September 2014, the Company acquired the remaining 50% of the equity of Andershaw Wind Power Limited for £5,495,000 to bring the total investment to £11,214,000

<sup>2</sup> On 4 April 2014, the Company exchanged its full investments in Statkraft Wind UK Limited, Baillie Windfarm Holdings Limited and Berry Burn Windfarm Limited for a 100% of the equity in Wind UK Invest Limited

<sup>3</sup> On 30 July 2014, the Company disposed of 49% of its investment in Wind UK Invest Limited. Due to the shared control set out in the new shareholders agreement for Wind UK Invest Limited, the investment has been reclassified to joint ventures. The gain of £82,702,000 is recorded in gain on sale of shares.

## 11. Investments in joint ventures and associates

	31 December 2014 £'000	31 December 2013 £'000
At 1 January	235,720	216,043
Additions <sup>2</sup>	52,553	19,677
Disposal <sup>3,4</sup>	(42,211)	-
Debt transferred to equity	1,245	-
<b>At 31 December</b>	<b>247,307</b>	<b>235,720</b>

Particulars of the Company's investment in shares in joint ventures and associates, which are stated at cost, were as follows

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held	Cost at 31 December 2014 £'000	Cost at 31 December 2013 £'000
Barmoor Wind Power Limited <sup>3</sup>	UK	Development of a wind farm in Scotland	-	-	-
Scira Offshore Energy Limited <sup>2</sup>	UK	Construction of Sheringham Shoal offshore wind farm, England	40 %	163,863	204,829
Forewind	UK	Development of Dogger Bank offshore wind farm, England	25%	-	-
Spittal Hill Windfarm Limited	UK	Development of Spittal Hill wind farm in Scotland	29.75%	119	119
Dudgeon Offshore Wind Limited <sup>1</sup>	UK	Development of Dudgeon wind farm in England	30%	49,102	30,772
Wind UK Invest Limited	UK		51%	34,223	-
				<b>247,307</b>	<b>235,720</b>

The proportion of the voting rights in the group undertakings held directly by the Company does not differ from the proportion of ordinary shares held

<sup>1</sup> On 30 July 2014, the Company disposed of 49% of its investment in Wind UK Invest Limited. Due to the shared control set out in the new shareholders agreement for Wind UK Invest Limited, the investment has been reclassified to joint ventures. The gain of £82,702,000 is recorded in gain on sale of shares.

<sup>2</sup> On 25 November 2014, the Company disposed of 10% of its investment in Scira Offshore Energy Limited. Due to the shared control set out in the new shareholders agreement, the investment has continued to be classified as a joint ventures. The gain of £17,840,000 is recorded in gain on sale of shares.

- <sup>3</sup> On 25 February 2014, the Company disposed of its full 50% investment in Barmoor Wind Power Limited. The gain of £160,000 is recorded in gain on sale of shares.

## 12. Long-term loans to subsidiaries, joint ventures and associates

	Subsidiaries	Joint ventures & associates	2014 Total	2013 Total
	£'000	£'000	£'000	£'000
At 1 January	15,670	5,007	20,677	19,558
Additions in year	3,467	-	3,467	650
Loan repayment	(13,857)	(695)	(14,552)	-
Loan reallocated to subsidiaries	1,613	(1,613)	-	-
Loan reallocated to joint ventures & associates	(1,829)	1,829	-	-
Loan reallocated to short term current receivables		(140)	(140)	-
Interest accrued on loans during the year	186	52	238	734
Interest received on loans during the year	-	-	-	(265)
Loans converted to shares in joint ventures		(1,245)	(1,245)	-
<b>At 31 December</b>	<b>5,250</b>	<b>3,195</b>	<b>8,445</b>	<b>20,677</b>

The loans to joint ventures carry a compounding fixed interest rate. They are repayable at the earlier of the Financial Close of the relevant Project Phase, termination of the Joint Development Agreements between the Company and the subsidiaries and joint ventures, or on the exercise of specific Options in the Joint Development Agreements.

Loans converted to shares in joint ventures relates to a transaction as part of the disposal of Barmoor Wind Power Limited. Subsequent to transfer, the shares were disposed of during the year, see note 11.

### 13. Other non-current assets

	31 December 2014 £'000	31 December 2013 £'000
At 1 January	164	164
Additions in year	21	-
<b>At 31 December</b>	<b>185</b>	<b>164</b>

Other non-current assets relate to deposits on the Company's office premises, refundable at the end of the lease term.

### 14. Trade and other receivables

	31 December 2014 £'000	31 December 2013 £'000
Amounts owed by group undertakings	20,189	34,346
Prepayments and accrued income	277	211
Trade debtors	1,347	-
Other debtors	195	130
VAT debtor	5,000	2,718
	<b>27,008</b>	<b>37,405</b>

The directors consider that the carrying value of trade and other receivables approximately equals their fair value

Amounts owed by group undertakings represent costs recharged to group companies payable within 30 days of invoicing. Other debtors represent accrued service charges to joint ventures

Ageing of past due but not impaired receivables (all are amounts owed by group undertakings)

	31 December 2014 £'000	31 December 2013 £'000
30-60 days	122	910
60-90 days	-	7
90-120 days	-	-
More than 120 days	-	-
	<b>122</b>	<b>917</b>

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Credit risk is limited due to the majority of balances being with group undertakings

## 15. Trade and other payables

	31 December 2014 £'000	31 December 2013 £'000
Trade payables	325	77
Amounts owed to group undertakings	218	1,310
Social security and other taxes	173	490
Amounts owed by joint ventures	18,019	31,452
Accrued expenses	7,682	1,928
	<u>26,417</u>	<u>35,257</u>

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing 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.

## 16. Provisions

	Renovation £'000	Total £'000
At 1 January 2014	80	80
Additional provision in the year	-	-
<b>At 31 December 2014</b>	<u><b>80</b></u>	<u><b>80</b></u>

The Company has liability for the restoration of the Moorgate Office premises. The outflow of resources will become due on relocation of office premises, the date of this is uncertain and therefore not defined.

## 17. Borrowings

	Non-current £'000	Current £'000	Total £'000
At 1 January 2014	38,500	-	38,500
Additional drawdowns	-	-	-
Repayments	-	-	-
Reclassification to current liabilities	-	-	-
<b>At 31 December 2014</b>	<b>38,500</b>	<b>-</b>	<b>38,500</b>

The non-current liability represents unsecured loan facility drawdowns from Statkraft Treasury Centre SA. The Company has three facilities which provide up to £38,500k of funding and are repayable in three phases, in 2017 and 2021. Floating rate interest based on LIBOR plus a margin is payable on this loan.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

## 18. Share capital

At 31 December 2014 the issued share capital was 385,410,000 (2013: 369,910,000) ordinary shares of £1 each.

During the year 15,500,000 ordinary shares of £1 each were issued at their nominal value (2013: 58,060,000 shares).

## 19. Net cash used in operating activities

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Net profit/(loss) for the period	89,743	(6,300)
<b>Adjustments for:</b>		
Depreciation	185	134
Net finance items	(676)	592
Disposal of investment	(100,702)	-
<b>Operating cash flow before movements in working capital</b>	<b>(11,450)</b>	<b>(5,574)</b>
 (Increase)/decrease in trade and other receivables	 (3,812)	 717
Increase/(decrease) in trade and other payables	5,685	(191)
(Decrease)/increase in inter-company balances	(553)	4,126
<b>Cash flow used in operating activities</b>	<b>(10,130)</b>	<b>(922)</b>
 Interest paid	 (693)	 (934)
<b>Net cash used in operating activities</b>	<b>(10,823)</b>	<b>(1,856)</b>

## 20. Directors' emoluments

The total amounts for directors' emoluments were as follows

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Wages and salaries	439	467
Pension costs	31	31
	<b>470</b>	<b>498</b>

During the year the Company had four directors (2013: four)

Highest paid director

	<b>Year ended 31 December 2014 £'000</b>	<b>Year ended 31 December 2013 £'000</b>
Wages and salaries	179	211
Pension costs	17	18
	<u>196</u>	<u>229</u>

**21. Employee information**

<b>Staff costs</b>	<b>Year ended 31 December 2014 £'000</b>	<b>Year ended 31 December 2013 £'000</b>
Wages and salaries	5,617	4,509
Social security costs	997	1,358
Pension costs	176	236
	<u>6,790</u>	<u>6,103</u>

The average weekly number of persons (including directors) employed by the Company during the year was 51 (2013 39)

## 22. Related party transactions

The following transactions were carried out with related parties:

### (a) Consultancy income

	31 December 2014 £'000	31 December 2013 £'000
Subsidiary undertakings	1,311	848
Joint ventures	1,542	2,085
Other group undertakings	5,487	4,498
	<u>8,340</u>	<u>7,431</u>

### (b) Income relating to the sale of power

	31 December 2014 £'000	31 December 2013 £'000
Subsidiary undertakings	-	-
Joint ventures	-	-
Other group undertakings	58,774	71,091
	<u>58,774</u>	<u>71,091</u>

### (c) Recharged expenses

	31 December 2014 £'000	31 December 2013 £'000
Subsidiary undertakings	16	76
Joint ventures	2,496	3,826
Other group undertakings	5,052	4,046
	<u>7,564</u>	<u>7,948</u>

### (d) Expenses relating to the sale of power

	31 December 2014 £'000	31 December 2013 £'000
Subsidiary undertakings	-	-
Joint ventures	57,118	68,904
Other group undertakings	-	-
	<u>57,118</u>	<u>68,904</u>

(e) Year-end balances arising from income and expenses with related parties

	31 December 2014 £'000	31 December 2013 £'000
Receivables from related parties (note 14):		
Subsidiary undertakings	274	274
Joint ventures	-	-
Other group undertakings	5,074	34,072
	<u>5,348</u>	<u>34,346</u>
Payables to related parties (note 15)		
Subsidiary undertakings	-	-
Joint ventures	-	31,452
Other group undertakings	18,236	1,310
	<u>18,236</u>	<u>32,762</u>

(f) Other transactions and year end balances with related parties

Loans made to related parties are disclosed in note 12 Interest payable and receivable between group companies is disclosed in note 7

23. Financial instruments

	31 December 2014 £'000	31 December 2013 £'000
Fair value of financial instruments		
<b>Financial assets</b>		
Trade and other receivables	20,384	34,476
Cash and bank balances	167,455	4,089
Other non-current assets	164	164
Loans to subsidiaries and joint ventures	8,466	20,677
	<u>196,469</u>	<u>59,406</u>
<b>Financial liabilities</b>		
Borrowings	(38,500)	(38,500)
Trade and other payables	(26,417)	(35,257)
	<u>(64,917)</u>	<u>(73,757)</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 other non-current assets approximate their carrying value as the effect of discounting is not significant.

- c) Fair value of loans to subsidiaries and joint ventures is approximate to their carrying value as the loans incur interest at a floating rate based on LIBOR
- d) Fair value of the borrowings is approximate to its carrying value as the loan incurs interest at a floating rate based on LIBOR

## 24. Commitments

At 31 December 2014, the Company has the following commitments under non-cancellable operating lease agreements

	31 December 2014 £'000	31 December 2013 £'000
<b>Land and buildings</b>		
- Within one year	485	338
- Between one and five years	2,464	2,464
	<u>2,949</u>	<u>2,802</u>

The Company has off-balance sheet guarantees totalling £288,000 (2013: £288,000) This is entirely related to parent company guarantees

The Company has a cash pool agreement with Statkraft AS; this allows the group to draw down on the Company's cash and bank balances.

## 25. Subsequent events

In February 2015, the Company acquired a 50% shareholding in Triton Knoll Offshore Wind Limited; a development project with consent to construct an offshore wind farm off the East coast of England

In May 2015, Spittal Hill wind farm had its second attempt at planning permission denied. This has effectively ended the project's chances of building a wind farm The Company's full investment of £119,000 has been impaired in 2015.

On 8 July 2015, the UK Chancellor of the Exchequer presented the UK Government's summer emergency budget. Included in this budget were adjustments to the tax regime, including to the Climate Change Levy (CCL) The resulting effects are that Statkraft's existing operating assets will no longer receive income from Levy Exemption Certificates (LEC's), this change came into effect in August 2015 Formerly, LEC income was expected to last until 2023 The impacts from this change in policy have been estimated and will reduce total revenues in companies partly owned by Statkraft by £8,767,000.