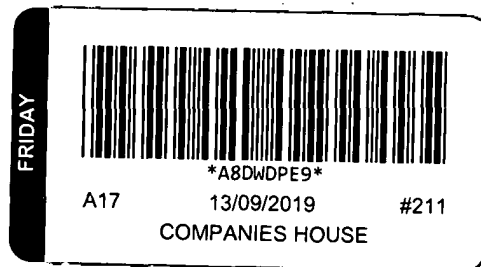


REGISTERED NUMBER: 06616497 (England and Wales)

ENECO UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

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FOR THE YEAR ENDED 31 DECEMBER 2018**

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ENECO UK LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS:

Eneco B.V.
C De Haan

REGISTERED OFFICE:

c/o Pinsent Masons LLP
1 Park Row
Leeds
West Yorkshire
LS1 5AB

REGISTERED NUMBER:

06616497 (England and Wales)

AUDITOR:

Deloitte LLP
Bristol
United Kingdom

LEGAL ADVISORS:

Pinsent Masons
30 Crown Place
Earl Street
London
EC2A 4ES

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their strategic report for Eneco UK Limited, ("the Company"), the year ended 31 December 2018.

BUSINESS REVIEW

The results for the year and financial position of the Company are as shown in the financial statements.

The Company owns 100% of the share capital of Tullo Wind Farm Limited, Twinshiels Wind Farm Ltd, LZN Limited, Eneco Sevor Limited, Eneco Burn of Whilk Limited, Eneco Moy Limited, Eneco Oaklands Limited and Eneco 365 Limited.

Throughout 2018, the Company continued to provide finance, supervision, management, administrative, operations and communications support to its subsidiaries. The company made a profit for the year totalling £8,181,098 (2017: £7,875,942). At the balance sheet date the company had reserves of £213,573,002 (2017: £205,391,904). In 2017, a strategic decision was made to close the Warwick office, and to run all of the support functions from the only remaining office in Inverness. The headcount of staff reduced dramatically throughout this time, with 8 substantive UK employees remaining in post. This decision contributed to the reduction of Administrative Costs to £1,301k in 2018 (2017: £2,651k).

The Company oversees the operation of five wind farms (Tullo, Twinshiels, LZN, Burn of Whilk and Moy) and three solar farms (Sevor, Oaklands and Eneco 365). The performance of each of these assets has been summarised below.

| Asset | Capacity in Operation (MW) | Power Generation 2018 (GWh) | Power Generation 2017 (GWh) | Operating Profit 2018 (£000) | Operating Profit/ (Loss) 2017 (£000) |
|---------------|-------------------------------|--------------------------------|--------------------------------|---------------------------------|---|
| Tullo | 17 | 38.7 | 39.8 | 1,727 | 2,017 |
| Twinshiels | 25 | 52.5 | 50.5 | 2,009 | 2,061 |
| Moy | 60 | 113.7 | 113.6 | 7,706 | 6,047 |
| LZN | 69 | 147.4 | 161.5 | 6,878 | 9,445 |
| Burn of Whilk | 23 | 66.3 | 70.3 | 2,991 | 3,642 |
| Sevor | 10 | 10.6 | 9.6 | 756 | 731 |
| Oaklands | 5 | 5.3 | 5.3 | 127 | (53) |
| Eneco 365 | 8 | 6.4 | 4.6 | 164 | 219 |

Capacity across the UK assets has not changed in 2018, and so remains at 216 MW across the solar and wind entities. There continue to be 69 wind turbines in operation. Availability of the assets throughout the UK subsidiaries has remained high throughout the year, with average availability of 97.8% being achieved (2017: 97.5%). Despite this increase, overall output has dropped slightly, as a result of weather conditions, to 440.88 GWh (2017: 455.06).

The Company is funded by NV Eneco Beheer through the intermediate parent company, Eneco Wind UK B.V., by way of equity and an interest-bearing inter-company loan. Loan interest (both payable and receivable by Eneco UK Limited) has reduced in comparison to 2017. Interest payable to Eneco Wind UK B.V. in the year was £3,981,600 (2017: £4,452,380) and interest received from across the subsidiary companies totalled £12,557,437 (2017: £13,697,200). The fact that these balances are reducing year on year demonstrates a strong cash position across the UK entities.

GOING CONCERN

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of the current financial position of the Company and forecast cash flows for the period of at least 12 months from approval of the financial statements, and have concluded that it is appropriate at the date of signing the audit report.

**ENECO UK LIMITED (REGISTERED NUMBER: 06616497)
FORMERLY ENECO WIND UK LIMITED**

**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

GOING CONCERN- CONTINUED

In forming this conclusion, the directors have considered that the Company and more in particular its subsidiaries are expected to generate positive cash flows in the forthcoming financial year and for the foreseeable future, thus enabling the Company to meet its financial obligations as they fall due. During 2018 the Company made updated medium term financial forecasts which confirmed that the Company will be able to continue as a going concern for a period of at least one year from the date of approval of these financial statements. The forecast cash inflows and results are based on expected future generation figures, contracted energy prices and expected certificate prices.

The Company has met all contractual payments as they have fallen due up to the date of approving the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company's future chances and profitability relate to:

Regulatory risk

The UK Government renewable energy targets, legislation and amendments therein. These may either benefit or detract from the company's subsidiaries profitability by influencing electricity market prices or availability to the Company and value of renewable credits for its new developments such as Contracts for Difference (CfDs), Feed In Tariffs (FiTs) and Renewables Obligation Certificates (ROCs).

In recent times, UK energy policies remained at the forefront of public and political debate, where the debates have concentrated on balancing affordability, availability and sustainability of UK power in the future. The government implemented subsidy cuts to renewable energy in order to control rising energy bills and adjourned auctions of CfD. The current uncertainty implies that economic viability of new onshore renewable development schedules is questionable and therefore the Company has reduced its efforts significantly in that area.

Political risk

In March 2017, the UK government triggered Article 50, which undertook to exit the European Union by 29th March 2019 (now extended to 31st October 2019). At this point, Management across the UK and the Dutch parent companies undertook to assess the potential consequences for such a change, and to continue to assess the position in terms of economical, legal and logistical implications across the Group.

The future of the UK within Europe, and any potential consequence of Brexit, remains unclear at this stage, and this uncertainty is likely to continue throughout 2019, and possibly beyond. The strategy of the Group is to monitor this process continually, and with maximum flexibility, in order to minimise any risk to the Group.

Reputation and public opinion

Local opinion seems to have turned against onshore wind and large ground mounted solar schemes. Increasingly local and national politicians pick up on this, tilting politician opinions toward other renewable energy technologies. A good reputation and relationship with local communities, impacted inhabitants, land owners and interest groups is seen as key by the Company, in line with its core values. Eneco believes that creating win-wins by sharing the opportunities that renewable generated assets present mitigates opposition and brings upsides to the benefit of some of the UK's more remote and economically depressed areas. By identifying and pursuing excellent customer and community engagement the Directors believe that Eneco UK Limited will be able to sustain its renewable asset portfolio and develop products and provide service to its end users.

Market price risk

The majority of the projects continue to sell their energy production directly and solely to Eneco Energy Trade B.V. (EET), and as such, the prices have been fixed for the duration of each of the projects. As a consequence, any risk in terms of future market fluctuations lie with EET, and they will manage the gain or loss from any unanticipated movements.

**ENECO UK LIMITED (REGISTERED NUMBER: 06616497)
FORMERLY ENECO WIND UK LIMITED**

**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

Market price risk - continued

For the solar entities, power is sold to an external client, with any surplus being passed to EET in the usual manner. This means that there is a potential impact to these subsidiaries should there be significant movement in the market. To minimise these risks, robust contracts are in place for each of these entities. Should any of these contracts be cancelled, for whatever reason, then the asset can revert to selling all power to EET.

Volume risk

Generated volumes by wind and solar farms are dependent on weather conditions. This may result in volume fluctuations year-on-year in the range of as much as 10% above or below historic averages on a project. In addition the technical availability of turbines are a key determinant of generated volumes. To a certain extent, non-performance from turbines is mitigated via liquidating damages included in the turbine contracts.

Interest rate risk, credit risk and foreign currency risk

The Company considers these risks as minor. The Company is financed and funded solely by its parent company selling its generated power and certificates predominantly to other Eneco Group companies. The Company mainly deals in Sterling transactions and significant foreign currency exposure only relates to Euro denominated maintenance agreements for some of the wind farms, this foreign exchange risk is mitigated via intercompany hedges by the intermediate parent company.

The Company is funded via intercompany loans from its Parent Company. Interest rates are fixed for the duration of loan period.

Health and safety

As the Company is, via its subsidiaries, involved in and operation of electricity generating assets, strict health and safety procedures, which are adhered to rigorously, are of key importance to reduce and preferably exclude any health and safety incidents. The Directors and management of the Company continue to focus on this to ensure that the company and its subsidiaries exceed all requirements under the relevant legislation.

ENVIRONMENT AND LOCAL COMMUNITIES

The Company is doing its utmost to reduce the impact of its schemes to the local environment and communities. The Company continues to engage with local communities, provides support, attempts where possible to contract locally and operates a 100% renewable generation portfolio.

KEY PERFORMANCE INDICATORS

| KPIs Eneco UK Limited and subsidiaries | 2018 | 2017 |
|---|-------------|-------------|
| Interest Payable on long term intercompany loans | £3,981,600 | £4,452,380 |
| Interest Receivable on long term intercompany loans | £12,557,437 | £13,697,200 |
| Availability (weighted by MW operational) | 97.8% | 97.5% |
| Number of Wind Turbine Generators in operation | 69 | 69 |
| Capacity in operation (solar and wind, in MW) | 216 | 216 |
| Generated power (GWh) | 440.88 | 455.06 |

FUTURE DEVELOPMENTS

In 2019 the directors envisage that the Company will continue to focus on achieving efficiency from the existing wind and solar asset portfolio to maximise on its power generation.

The financial statements of Eneco UK Limited (registered number 06616497) were approved by the board of directors and authorised for issue on *11 September* 2019. They were signed on its behalf by:

Eneco B.V. – represented by G A J Dubbeld 

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report with the financial statements of Eneco UK Limited ("the Company") for the year ended 31 December 2018.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review continued to be providing finance, supervision, administrative, operations, communications, and management services to its subsidiaries in order to develop, build and operate onshore wind and solar farms in the United Kingdom. The Company is the intermediate holding company for Eneco subsidiaries in the UK and is funded by Eneco UK B.V. in Rotterdam.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

See the Strategic Report on pages 2 to 4 for information regarding the Company's financial risk management objectives and policies including the policy for hedging each major type of forecasted transaction for which hedge accounting is used.

PARENT COMPANY

The Company is a wholly-owned subsidiary of Eneco UK B.V. The ultimate parent undertaking and controlling party is Eneco Group N.V., a company incorporated in The Netherlands.

DIVIDENDS

The directors do not recommend the payment of a dividend (2017: £nil).

EVENTS AFTER THE BALANCE SHEET DATE

Information relating to events since the end of the year is given in note 19 to the financial statements.

DIRECTORS

The directors who have held office during the period from 1 January 2018 to the date of this report are as follows:

Eneco B.V.

C De Haan – appointed 1 July 2018

H A Buis was resigned on 1 July 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of company and of the profit of the company for that period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Including Financial Report Standard 101 'Reduced Disclosure Framework'. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

DIRECTORS' RESPONSIBILITIES STATEMENT – continued

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FUTURE DEVELOPMENTS

In 2019 the directors envisage that the Company will focus on achieving efficiency from the wind and solar asset portfolio to maximise on its power generation.

PROVISION OF INFORMATION TO AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to be reappointed for another term and appropriate arrangements are being made for it to be deemed reappointed as auditor in absence of an Annual General Meeting.

The financial statements of Eneco UK Limited (registered number 06616497) were approved by the board of directors and authorised for issue on 11 September 2019. They were signed on its behalf by:


Eneco B.V. – represented by G A J Dubbeld

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENECO UK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Eneco UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

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).

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.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC'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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

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 auditor's 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 respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENECO UK LIMITED

Responsibilities of directors

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, 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.

Auditor's 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 auditor's 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions 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.

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 any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Sonya Butters (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

Date:  11/09/2019

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Notes | 2018 £ | 2017 £ |
|--|-------|-------------------------|-------------------------|
| REVENUE | 2 | 906,582 | 1,252,309 |
| Administrative expenses | | <u>(1,301,321)</u> | <u>(2,651,187)</u> |
| OPERATING LOSS | | (394,739) | (1,398,878) |
| Interest receivable and similar income | 4 | 12,557,437 | 13,697,200 |
| Interest payable and similar expenses | 5 | <u>(3,981,600)</u> | <u>(4,452,380)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | 8,181,098 | 7,845,942 |
| Tax on profit | 7 | <u>-</u> | <u>-</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>8,181,098</u> | <u>7,845,942</u> |

Revenue and operating profits are all derived from continuing operations.

There are no recognised gains and losses other than the profit for the current and preceding financial year, as shown in the income statement above.

The notes form part of these financial statements

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**BALANCE SHEET
AS AT 31 DECEMBER 2018**

| | Notes | 2018 £ | 2017 £ |
|---|-------|--------------------|--------------------|
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 31,910 | 45,555 |
| Investments | 9 | 61,095,022 | 61,095,022 |
| Trade and other receivables | 10 | <u>208,570,235</u> | <u>235,898,855</u> |
| | | <u>269,697,167</u> | <u>297,039,432</u> |
| CURRENT ASSETS | | | |
| Trade and other receivables - due within one year | 10 | 962,390 | 280,722 |
| Cash at bank and in hand | | <u>10,153,371</u> | <u>1,022,389</u> |
| | | 11,115,761 | 1,303,111 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | <u>(157,816)</u> | <u>(447,634)</u> |
| NET CURRENT ASSETS | | <u>10,957,945</u> | <u>855,477</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 280,655,112 | 297,894,909 |
| NON CURRENT LIABILITIES | | | |
| Borrowings | 12 | (66,896,110) | (92,317,005) |
| PROVISIONS FOR LIABILITIES | 16 | <u>(186,000)</u> | <u>(186,000)</u> |
| NET ASSETS | | <u>213,573,002</u> | <u>205,391,904</u> |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 17 | 201,240,000 | 201,240,000 |
| Retained earnings | 18 | <u>12,333,002</u> | <u>4,151,904</u> |
| SHAREHOLDERS' FUNDS | | <u>213,573,002</u> | <u>205,391,904</u> |

The financial statements of Eneco UK Limited (registered number 06616497) were approved by the board of directors and authorised for issue on 11 September 2019. They were signed on its behalf by:

.....
Eneco B.V. – represented by G A J Dubbeld

The notes form part of these financial statements

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

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

| | | Called up share capital £ | Retained earnings £ | Total equity £ |
|------------------------------------|-------|--|------------------------------------|-------------------------------|
| Balance at 1 January 2017 | Notes | 201,240,000 | (3,694,038) | 197,545,962 |
| Changes in equity | | | | |
| Total comprehensive income | | - | 7,845,942 | 7,845,942 |
| Balance at 31 December 2017 | | <u>201,240,000</u> | <u>4,151,904</u> | <u>205,391,904</u> |
| Changes in equity | | | | |
| Total comprehensive income | 18 | - | 8,181,098 | 8,181,098 |
| Balance at 31 December 2018 | | <u>201,240,000</u> | <u>12,333,002</u> | <u>213,573,002</u> |

The notes form part of these financial statements

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

1. ACCOUNTING POLICIES

Basis of preparation

Eneco UK Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments and investment property that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. The directors expect the Company to receive continued financial support from the Company's ultimate parent undertaking, Eneco Group N.V.

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

1. ACCOUNTING POLICIES – continued

New Standards, amendments and IFRIC interpretations

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and IFRS 15 Revenue from Contracts with Customers (as revised in April 2014). In relation to IFRS 9, none of the reclassification of financial assets have had any material impact on the Company's financial position, profit or loss, other comprehensive income, or total comprehensive income. Further, the application of IFRS 15 has not had a material impact on the way in which revenue is recognised.

Revenue

Revenue is stated net of tax. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Revenue represents the charges made to group and joint ventures for staff time and other services provided.

Investments

Investments are stated at cost less a provision for impairment.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation, net of depreciation and any provision for impairment. The cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at the following annual rates in order to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

| | |
|-----------------------|---------------------------|
| Plant and machinery | - 15% on cost |
| Fixtures and fittings | - 15% on cost |
| Computer equipment | - 15% on reducing balance |

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the profit or loss account in the period of derecognition.

Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities at their carrying amounts in the financial statements, with the following exceptions:

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Current tax

Current tax is provided at amounts expected to be paid using rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

1. ACCOUNTING POLICIES – continued

Foreign currencies

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefit costs

Contributions to the defined contribution scheme are recognised in profit or loss in the period in which they become payable.

Trade and other debtors

Trade debtors, which generally have 30-90 days terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, debtors are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Consolidation

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Eneco Group N.V., a company incorporated in The Netherlands.

Interest receivable and similar income

Interest is accrued on all loans provided to 100% owned subsidiary company's. Income is recognised in profit or loss in the period in which it is accrued.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing costs

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.

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

1. ACCOUNTING POLICIES - continued

Financial instruments - continued

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.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are 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 shorter period, to the net carrying amount on initial recognition.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

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

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

1. ACCOUNTING POLICIES – continued

Judgements and key sources of estimation uncertainty

In preparing the financial statements, management used judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. In particular, they relate to the fair value of relevant assets and liabilities, impairment of assets and the size of provisions. The judgements, estimates and assumptions that have been made are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates. Judgements, estimates and assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods. Any points of particular importance with regard to judgements, estimates and assumptions are set out in the notes to the profit or loss account and balance sheet items.

Key sources of estimation uncertainty

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets and investments 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).

2. REVENUE

All income is derived in the UK from management charges.

3. STAFF COSTS

| | 2018 £ | 2017 £ |
|-----------------------|----------------|------------------|
| Wages and salaries | 527,155 | 1,040,522 |
| Social security costs | 63,818 | 141,824 |
| Pension costs | 33,784 | 92,816 |
| | <u>624,757</u> | <u>1,275,162</u> |

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

| | 2018 | 2017 |
|----------------------------|----------|-----------|
| Development | - | 3 |
| Construction and operation | 4 | 5 |
| Trading and sales | 1 | 1 |
| Administration | 2 | 6 |
| Management | <u>1</u> | <u>2</u> |
| | <u>8</u> | <u>17</u> |

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2018 £ | 2017 £ |
|--|-------------------|-------------------|
| Interest receivable from group companies | <u>12,557,437</u> | <u>13,697,200</u> |
| | <u>12,557,437</u> | <u>13,697,200</u> |

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. INTEREST RECEIVABLE AND SIMILAR INCOME - CONTINUED

Interest has been charged at a rate of 5.8% per annum on the loans to Tullio Wind Farm Limited, Twinshiels Wind Farm Limited, LZN Limited, Eneco Moy Limited, Eneco Sevor Limited and Eneco Burn of Whilk Limited. Interest has been charged at a rate of 1.6% per annum on the loans to Eneco 365 Limited and Eneco Oaklands Limited, all 100% owned subsidiaries.

5. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2018 | 2017 |
|------------------|------------------|------------------|
| | £ | £ |
| Interest payable | <u>3,981,600</u> | <u>4,452,380</u> |

Interest has been charged at 4.8% per annum on the loan from Eneco Wind UK B.V.

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

| | 2018 | 2017 |
|---|---------------|---------------|
| | £ | £ |
| Depreciation - owned assets (note 8) | 13,645 | 18,528 |
| Auditor's remuneration – audit services | 21,000 | 13,600 |
| Foreign exchange differences | (46,589) | (30,279) |
| Operating leases - plant and machinery | - | - |
| Operating leases - other | <u>61,389</u> | <u>96,854</u> |

| | 2018 | 2017 |
|--|----------|---------------|
| | £ | £ |
| Directors' remuneration | - | 150,638 |
| Directors' pension contributions to money purchase schemes | <u>-</u> | <u>10,424</u> |

The following director is also director or employee of another group Company. They are remunerated by the Company shown. It is not practicable to allocate their remuneration between their services as directors of this Company and as directors or employees of other group companies.

H A Buis – resigned 1 July 2018 Eneco B.V.
C De Haan – appointed 1 July 2018 Eneco B.V

7. TAXATION

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2018 nor for the year ended 31 December 2017.

Factors affecting the tax expense

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. TAXATION - continued

| | 2018 | 2017 |
|---|---------------------------|---------------------------|
| | £ | £ |
| Profit on ordinary activities before income tax | <u>8,181,098</u> | <u>7,845,942</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%) | 1,554,408 | 1,510,344 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 7,552 | - |
| Capital allowances in excess of depreciation | (709) | (463) |
| Subsidiary tax adjustments | (241,799) | (263,671) |
| Tax losses surrendered by subsidiaries for no payment | <u>(1,319,452)</u> | <u>(1,246,210)</u> |
| Tax expense | <u>-</u> | <u>-</u> |

A deferred tax asset of £515,400 (2017: £576,744) has not been recognised on the grounds that recoverability is not certain. The deferred tax asset has no expiry date.

The Finance Bill 2015 enacted on 15 July 2015 reduced the corporation tax rate from 20% to 19% with effect from 1 April 2017 and a further reduction to 17% with effect from 31 December 2021. The directors are not aware of any other factors that will materially affect the future tax charge.

8. PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery | Fixtures and fittings | Computer equipment | Totals |
|-----------------------|----------------------------|------------------------------|---------------------------|----------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2018 | 70,026 | 78,609 | 64,223 | 212,858 |
| Additions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| At 31 December 2018 | <u>70,026</u> | <u>78,609</u> | <u>64,223</u> | <u>212,858</u> |
| Depreciation | | | | |
| At 1 January 2018 | 63,771 | 39,309 | 64,223 | 167,303 |
| Charge for year | <u>6,255</u> | <u>7,390</u> | <u>-</u> | <u>13,645</u> |
| At 31 December 2018 | <u>70,026</u> | <u>46,699</u> | <u>64,223</u> | <u>180,948</u> |
| Net book value | | | | |
| At 31 December 2018 | <u>-</u> | <u>31,910</u> | <u>-</u> | <u>31,910</u> |
| At 31 December 2017 | <u>6,255</u> | <u>39,300</u> | <u>-</u> | <u>45,555</u> |

No assets were leased under finance leases.

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. INVESTMENTS

| | Shares in group undertakings £ |
|-----------------------|---|
| COST | |
| At 1 January 2018 | <u>61,095,022</u> |
| 31 December 2018 | <u>61,095,022</u> |
| NET BOOK VALUE | |
| At 31 December 2018 | <u>61,095,022</u> |
| At 31 December 2017 | <u>61,095,022</u> |

The Company's investments at the balance sheet date in the share capital of companies included the following:

| Company | Country of registration or incorporation | Shares held Class | Shares held % |
|--------------------------------|---|----------------------|------------------|
| Subsidiary undertakings | | | |
| Tullo Wind Farm Limited | England & Wales | Ordinary | 100 |
| LZN Limited | England & Wales | Ordinary | 100 |
| Erica Wind Farm Limited | England & Wales | Ordinary | 100 |
| Eneco Moy Limited | England & Wales | Ordinary | 100 |
| Eneco Sevor Limited | England & Wales | Ordinary | 100 |
| Eneco Burn of Whilk Limited | England & Wales | Ordinary | 100 |
| Twinshiels Wind Farm Limited | Scotland | Ordinary | 100 |
| Eneco 365 Limited | England & Wales | Ordinary | 100 |
| Eneco Oaklands Limited | England & Wales | Ordinary | 100 |
| | Principal Activity | | |
| Tullo Wind Farm Limited | Operation of a wind farm | | |
| LZN Limited | Operation of a wind farm | | |
| Erica Wind Farm Limited | Dormant | | |
| Eneco Moy Limited | Operation of a wind farm | | |
| Eneco Sevor Limited | Operation of a solar farm | | |
| Eneco Burn of Whilk Limited | Operation of a wind farm | | |
| Twinshiels Wind Farm Limited | Operation of a wind farm | | |
| Eneco 365 Limited | Operation of a solar farm | | |
| Eneco Oaklands Limited | Operation of a solar farm | | |

All of the above companies' registered office address is as follows: 1 Park Row, Leeds, West Yorkshire, LS1 5AB, except for Twinshiels Wind Farm Limited, whose registered office address is Eneco Ness House, Dochfour Business Centre, Dochgarroch, Inverness, IV3 8GY.

10. TRADE AND OTHER RECEIVABLES

| | 2018 £ | 2017 £ |
|--------------------------------------|----------------|----------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 958,321 | 185,545 |
| Other debtors | 4,069 | 93,255 |
| Prepayments and accrued income | - | 1,922 |
| | <u>962,390</u> | <u>280,722</u> |

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. TRADE AND OTHER RECEIVABLES - CONTINUED

| | 2018 £ | 2017 £ |
|---|--------------------|--------------------|
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings – loans | 208,570,235 | 235,886,855 |
| Trade debtors | - | 12,000 |
| | <u>209,532,625</u> | <u>236,179,577</u> |

11. TRADE AND OTHER PAYABLES

| | 2018 £ | 2017 £ |
|---------------------------------|----------------|----------------|
| Trade creditors | 7,377 | 26,347 |
| Social security and other taxes | 17,531 | 81,746 |
| VAT | 29,178 | 46,377 |
| Other creditors | - | 31,771 |
| Accruals and deferred income | <u>103,730</u> | <u>261,393</u> |
| | <u>157,816</u> | <u>447,634</u> |

12. BORROWINGS

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Amounts due to group undertakings (see note 13) | <u>66,896,110</u> | <u>92,317,005</u> |

13. LOANS

An analysis of the maturity of loans is given below:

| | 2018 £ | 2017 £ |
|--|-------------------|-------------------|
| Amounts falling due after more than one year and less than five years: | | |
| Repayable otherwise than by instalments | | |
| Amounts due to group undertakings: | <u>66,896,110</u> | <u>92,317,005</u> |

The above loan is unsecured and interest is charged on the loan at the Eneco Long Term Intercompany loan rate, in the current year this is a rate of 4.8% per annum. Repayment is due on 31 December 2021.

14. FINANCIAL INSTRUMENTS

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. In relation to all financial assets and financial liabilities of the company the fair value is equal to the carrying value, hence there have been no charges or credits to profit and loss during the year.

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. OPERATING LEASES

Lease payments under operating leases recognised as an expense in the year totalled £61,389 (2017: £96,854).

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2018 £ | 2017 £ |
|----------------------------|---------------|---------------|
| Within one year | 18,162 | 28,000 |
| Between one and five years | 39,351 | 58,000 |
| In more than five years | - | - |
| | <u>57,513</u> | <u>86,000</u> |

16. PROVISIONS FOR LIABILITIES

| | 2018 £ | 2017 £ |
|------------------------|----------------|----------------|
| Deferred consideration | <u>186,000</u> | <u>186,000</u> |

The provision for deferred consideration is in respect of Eneco 365 Limited.

17. CALLED-UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2018 £ | 2017 £ |
|-------------|----------|----------------|--------------------|--------------------|
| 201,240,000 | Ordinary | £1 | <u>201,240,000</u> | <u>201,240,000</u> |

18. RETAINED EARNINGS

| | £ |
|---------------------|-------------------|
| At 1 January 2018 | 4,151,904 |
| Profit for the year | <u>8,181,098</u> |
| At 31 December 2018 | <u>12,333,002</u> |

19. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date which require disclosure.

ENECO UK LIMITED (REGISTERED NUMBER: 06616497)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Eneco Wind UK B.V. a company incorporated in The Netherlands. The Company's ultimate parent undertaking is Eneco Group N.V., a company incorporated in The Netherlands which is the parent company of the smallest and largest group into which the results of the Company are consolidated. Copies of the group financial statements can be obtained from the company secretary at Eneco World, Marten Meesweg 5, 3068 AV, Rotterdam.

21. CONTROL

The directors consider the controlling party to be the ultimate parent undertaking, Eneco Group N.V.