

ABERDEEN OFFSHORE WIND FARM LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



ABERDEEN OFFSHORE WIND FARM LIMITED

COMPANY INFORMATION

Directors G Groebler (resigned 9 November 2015)
P Guy
G McIntosh
J Morrison
P Tornberg (appointed 9 November 2015)

Registered number SC278869

Registered office Johnstone House
52-54 Rose Street
Aberdeen
Scotland
AB10 1HA

Independent auditors Ernst & Young LLP
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London
SE1 2AF

ABERDEEN OFFSHORE WIND FARM LIMITED

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ABERDEEN OFFSHORE WIND FARM LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

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

Business review

During the year the company developed an offshore wind farm in Aberdeen Bay, Scotland, within the United Kingdom. The wind farm was not operational throughout the year ended 31 December 2015.

The ultimate parent undertaking of Aberdeen Offshore Wind Farm Limited is Vattenfall AB. One of the key focus areas of Vattenfall's strategy is building a more sustainable energy portfolio. Vattenfall has a committed and ambitious strategy for growth in renewable generation and plans to invest more than 50 billion Swedish Krona in new wind farms over the next five years.


In the financial year 2015, Vattenfall Group operated more than 1,000 turbines and had eleven wind farms under construction in five countries, six of which were in the process of being commissioned in 2015. The other five wind farms are expected to commence operations in 2016.

Principal risks and uncertainties

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

Operational risks are mitigated by having contractual arrangements in place whereby the Company arranges for adequate and timely service when technical difficulties are experienced at the site.

This report was approved by the board on 24 August 2016 and signed on its behalf.



P Guy
Director

ABERDEEN OFFSHORE WIND FARM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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

Principal activity

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

Going concern

The directors have prepared these financial statements on a going concern basis because the parent company has agreed to provide such financial or other assistance as the Company will require to meet its financial obligations as they fall due for payment. This undertaking is to remain in force for a period of at least 12 months from the date of signature of these financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £286 thousand (2014 - loss £240 thousand).

Dividend paid in the year is £nil (2014: £nil).

Post balance sheet events

On 21 July 2016 a final investment decision was taken for the construction of the Aberdeen offshore wind farm. The 11 turbine innovative offshore wind farm which won a EU grant in 2010 will have a capacity of 92.4 MW. Onshore construction will start in late 2016 and is due to complete late 2017. Works offshore will commence in Aberdeen Bay late 2017. The project is scheduled to first generate power in spring 2018 and operate for at least 20 years.

In April 2016, Vattenfall Wind Power Limited acquired the remaining 25% of the Company, such that the Company is now a 100% subsidiary of Vattenfall Wind Power Limited.

Future developments

The Company is taking a number of measures to stay aligned to the challenging energy market conditions and current low energy prices. Management focus will remain on cost efficiency and stability of cash flow. It is our policy to refrain from making any specific statements about expected future results, however on the basis of risk analysis and adequate operational processes we have trust that we will be able to tackle the challenges ahead and to stay on top of our operations.

Directors

The directors who served during the year were:

G Groebler (resigned 9 November 2015)

P Guy

G McIntosh

J Morrison

P Tornberg (appointed 9 November 2015)

ABERDEEN OFFSHORE WIND FARM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Auditors

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

Directors' responsibilities statement

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Disclosure of information to auditors

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

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

This report was approved by the board on 24 August 2016 and signed on its behalf.



P Guy
Director

ABERDEEN OFFSHORE WIND FARM LIMITED

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

We have audited the financial statements of Aberdeen Offshore Wind Farm Limited for the year ended 31 December 2015, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss 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.

Opinion on other matter 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.

ABERDEEN OFFSHORE WIND FARM LIMITED

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

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.

Ernst & Young LLP.

Stuart Darrington (Senior Statutory Auditor)

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

London

24 August 2016

ABERDEEN OFFSHORE WIND FARM LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Administrative expenses		(238)	(188)
Operating loss	4	(238)	(188)
Interest payable and expenses	7	(48)	(52)
Loss before tax		(286)	(240)
Loss for the year		(286)	(240)
Total comprehensive income for the year		(286)	(240)

There were no recognised gains and losses for 2015 or 2014 other than those included in the Statement of Comprehensive Income. All amounts relate to continuing operations.

The notes on pages 10 to 24 form part of these financial statements.

ABERDEEN OFFSHORE WIND FARM LIMITED
REGISTERED NUMBER: SC278869

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Tangible assets	9	4,055	4,055
		<u>4,055</u>	<u>4,055</u>
Current assets			
Debtors: amounts falling due within one year	10	79	31
		<u>79</u>	<u>31</u>
Creditors: amounts falling due within one year	11	(3,009)	(2,645)
Net current liabilities		<u>(2,930)</u>	<u>(2,614)</u>
Total assets less current liabilities		<u>1,125</u>	<u>1,441</u>
Creditors: amounts falling due after more than one year	12	(3,183)	(3,213)
Net assets		<u>(2,058)</u>	<u>(1,772)</u>
Capital and reserves			
Called up share capital	14	-	-
Retained earnings		(2,058)	(1,772)
		<u>(2,058)</u>	<u>(1,772)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 August 2016.



P Guy
Director

The notes on pages 10 to 24 form part of these financial statements.

ABERDEEN OFFSHORE WIND FARM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2015	-	(1,772)	(1,772)
Comprehensive income for the year			
Loss for the year	-	(286)	(286)
Total comprehensive income for the year	-	(286)	(286)
Total transactions with owners	-	-	-
At 31 December 2015	-	(2,058)	(2,058)

ABERDEEN OFFSHORE WIND FARM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2014	-	(1,532)	(1,532)
Comprehensive income for the year			
Loss for the year	-	(240)	(240)
Total comprehensive income for the year	-	(240)	(240)
Total transactions with owners	-	-	-
At 31 December 2014	-	(1,772)	(1,772)

The notes on pages 10 to 24 form part of these financial statements.

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Authorisation of financial statements

The financial statements of Aberdeen Offshore Wind Farm Limited (the "Company") for the year ended 31 December 2015 were approved by the board and authorised for issue on 24 August 2016 and the Balance Sheet was signed on the board's behalf by P Guy. Aberdeen Offshore Wind Farm Limited is incorporated and domiciled in Scotland, within the United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 101 is given in note 18.

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

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

First time application of FRS 100 and FRS 101

In the current year the Company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the Company to take advantage of some of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The following principal accounting policies have been applied:

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

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

2.3 Change in accounting policy and disclosures

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

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2015 unless otherwise stated and the impact of adoption is described below. There are no other changes to IFRS effective in 2015 which have a material impact on the Company.

IAS 19 Employee benefits - defined benefit plans: employee contributions (effective in the EU 1 February 2015)

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments must be applied retrospectively.

New standards and interpretations not yet effective

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

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

- IFRS 9 Financial instruments (effective in the EU 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective in the EU 1 January 2018)
- IAS 1 Presentation of financial statements- disclosure initiative (effective in the EU 1 January 2016)
- IAS 16 Property, plant and equipment and IAS 38 Intangible assets – clarification of acceptable methods of depreciation and amortisation (effective in the EU 1 January 2016)
- IAS 27 Separate financial statements – equity method (effective in the EU 1 January 2016)

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.4 Going concern

The directors have prepared these financial statements on a going concern basis because the parent company has agreed to provide such financial or other assistance as the Company will require to meet its financial obligations as they fall due for payment. This undertaking is to remain in force for a period of at least 12 months from the date of signature of these financial statements.

2.5 Turnover

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

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

2.6 Development expenditure

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

2.7 Tangible fixed assets

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

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

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

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

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

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

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

Depreciation is provided on the following basis:

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

2.8 Leasing

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.9 Debtors

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

2.10 Financial instruments

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

Financial assets

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

Loans and receivables

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

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

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Financial liabilities

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

At amortised cost

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

2.11 Creditors

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

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

2.12 Government grants

All grants received are from the Department of Business, Innovation & Skills (BIS) and consist of capital grants in respect of the construction of the wind farm.

The grants received on capital expenditure are initially recognised within deferred income on the Company's Balance Sheet and are subsequently recognised in the Statement of Comprehensive Income on a systematic basis over the useful life of the related capital expenditure.

Any unreleased elements of capital grants received are shown separately in the notes to the financial statements.

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.14 Finance costs

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

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.15 Taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

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

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

4. Operating loss

The operating loss is stated after charging:

	2015 £000	2014 £000
Exchange differences	(59)	(80)
Operating lease rentals	17	36
	<u> </u>	<u> </u>

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5. Auditors' remuneration

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

	2015 £000	2014 £000
Fees for audit services	11	12

6. Employees

Number of employees

The average monthly number of employees (including directors) during the year was 4 (2014: 4). The Company's payroll costs are incurred by other entities within the Group, with the costs recharged to the Company.

Directors remuneration

The directors of the Company are also directors of the holding company and fellow subsidiaries. The directors remuneration for the year, apportioned to the Company based on the estimated individual director representation for the Company, amounts to £32 thousand (2014: 23 thousand). All of the remuneration was paid by another Vattenfall Group company.

7. Interest payable and similar charges

	2015 £000	2014 £000
Other loan interest payable	6	6
Interest payable to group undertakings	42	46
	48	52

8. Taxation

	2015 £000	2014 £000
Taxation on loss on ordinary activities	-	-

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before tax	(286)	(240)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	(58)	(52)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	14
Tax losses not recognised	58	38
Total tax charge for the year	-	-

Pre-trading losses of £2,695 thousand (2014: £2,412 thousand) have been accumulated at the Balance Sheet date. However, the consequent deferred tax asset of £485 thousand (2014: £480 thousand) has not been recognised within these financial statements. This asset will be recognised when eligible taxable profits are forecast.

Factors that may affect future tax charges

On 1 April 2015 the main rate of UK corporation tax fell from 21% to 20%. A rate of 20.25% therefore applies for the period.

In the Summer Budget 2015 the UK Government announced that the main rate of corporation tax would be reduced further, to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rates were substantively enacted before the Balance Sheet date. However, as no deferred tax balance is recognised, the reduction has no impact upon these financial statements.

Post year end, at Budget 2016, the UK Government announced that the main rate of corporation tax would be reduced to 17% with effect from 1 April 2020.

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

9. Tangible fixed assets

	Assets under construction £000
Cost or valuation	
At 1 January 2015	4,055
At 31 December 2015	<u>4,055</u>
Net book value	
At 31 December 2015	<u>4,055</u>
At 31 December 2014	<u>4,055</u>

There was no movement to the 2015 opening position as there was ongoing litigation during the year which prevented further construction. Towards the end of 2015, the case was concluded in our favour.

10. Debtors

	2015 £000	2014 £000
Other debtors	63	31
Prepayments and accrued income	16	-
	<u>79</u>	<u>31</u>

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

11. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	10	-
Amounts owed to group undertakings	2,897	2,605
Other creditors	-	5
Accruals and deferred income	102	35
	<u>3,009</u>	<u>2,645</u>

12. Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to group undertakings	1,141	1,124
Amounts owed to associates	380	375
Grants not yet credited to the Statement of Comprehensive Income	1,662	1,714
	<u>3,183</u>	<u>3,213</u>

13. Financial instruments

	2015 £000	2014 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	4	-
	<u>4</u>	<u>-</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(6,089)	(5,824)
	<u>(6,089)</u>	<u>(5,824)</u>

Financial assets measured at amortised cost comprise of loans and receivables, namely amounts owed by group companies.

Financial Liabilities measured at amortised cost comprise mostly of amounts owed to group companies and grants not yet credited to the Statement of Comprehensive Income.

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

Vattenfall Wind Power Limited holds 75% of the ordinary share capital of the Company.

Aberdeen Renewable Energy Group (AREG) Limited holds 25% of the ordinary share capital of the Company.

15. Subsequent events

On 21 July 2016 a final investment decision was taken for the construction of the Aberdeen offshore wind farm. The 11 turbine innovative offshore wind farm which won a EU grant in 2010 will have a capacity of 92.4 MW. Onshore construction will start in late 2016 and is due to complete late 2017. Works offshore will commence in Aberdeen Bay late 2017. The project is scheduled to first generate power in spring 2018 and operate for at least 20 years.

In April 2016, Vattenfall Wind Power Limited acquired the remaining 25% of the Company, such that the Company is now a 100% subsidiary of Vattenfall Wind Power Limited.

16. Ultimate parent undertaking and controlling party

At 31 December 2015, the Company was a 75% owned subsidiary of Vattenfall Wind Power Ltd, a company registered in the United Kingdom. The Directors regard Vattenfall AB, a company registered in S-162 87 Stockholm, Sweden as the Company's controlling party ultimate parent undertaking.

The results of Aberdeen Offshore Wind Farm Limited are included in the consolidated financial statements of Vattenfall AB which are available from the Vattenfall website, <http://corporate.vattenfall.com>.

17. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening Balance Sheet as at 1 January 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. Those changes in accounting policies have not resulted in any impacts in the financial statements.

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards", except for the requirement of paragraphs 6 and 21 to present an opening Statement of Financial Position at the date of transition.

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- *IFRIC 4 Determining whether an Arrangement contains a Lease.* The transitional provisions allow an entity to determine whether an arrangement existing at the date of transition to IFRSs contains a lease on the basis of facts and circumstances existing at that date. These have not been applied as, when the Company made the determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would give the same outcome as that resulting from applying IAS 17 Leases and IFRIC 4.

- *IAS 23 Borrowing costs.* The entity has applied the provisions of IAS 23 and elected to apply the requirements of this standard from the date of transition to FRS 101. As result the Company shall account for borrowing costs incurred on or after that date as required by IAS 23; and did not restate any borrowing cost components that could have been capitalised under previous GAAP and that was included in the carrying amount of assets at that date.

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

18. First time adoption of FRS 101

	As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 101 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
Fixed assets	4,055	-	4,055	4,055	-	4,055
Current assets	77	-	77	31	-	31
Creditors: amounts falling due within one year	(2,670)	-	(2,670)	(2,645)	-	(2,645)
Net current liabilities	(2,593)	-	(2,593)	(2,614)	-	(2,614)
Total assets less current liabilities	1,462	-	1,462	1,441	-	1,441
Creditors: amounts falling due after more than one year	(2,994)	-	(2,994)	(3,213)	-	(3,213)
Net liabilities	(1,532)	-	(1,532)	(1,772)	-	(1,772)
Capital and reserves	(1,532)	-	(1,532)	(1,772)	-	(1,772)

ABERDEEN OFFSHORE WIND FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

18. First time adoption of FRS 101 (continued)

	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
	-	-	-
Administrative expenses	(188)	-	(188)
Operating profit	(188)	-	(188)
Interest payable and similar charges	(52)	-	(52)
Loss on ordinary activities after taxation and for the financial year	(240)	-	(240)

Explanation of changes to previously reported profit and equity:

- 1 The changes in the accounting policies have not impacted the financial statements figures.