

Annual Report 2016



P/F Vindfelagið í Húshaga  
Tórshavn Company register no. 6386



**Annual Report 2016**

Annual General Meeting 31 March 2017

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# P/F Vindfelagið í Húshaga

## Annual Report 2016

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### About the Company

P/F Vindfelagið í Húshaga:

Landavegur 92

PO Box 319

FO-110 Tórshavn

Telephone 346800

Web: [www.sev.fo](http://www.sev.fo)

Email: [sev@sev.fo](mailto:sev@sev.fo)

Registered office: Tórshavn

Financial calendar: 01.01-31.12

Business Tax Registration No.: 622672

Business Registration No.: 6386

### Board

John Zachariassen, Chairman of the Board

Hans Jákup Johannesen, Vice Chairman of the Board

Marin Katrina Frýdal, Member of the Board

Jónsvein Hovgaard, Member of the Board

Sune Jacobsen, Member of the Board

Vinjard Tungá, Member of the Board

Kristian Eli Zachariassen, Member of the Board

### Management

Hákun Djurhuus, Managing Director, CEO

### Auditor

P/F Januar

State Authorized Public Accountants

Óðinshædd 13, Postboks 30, FO-110 Tórshavn

Telephone: 31 47 00 Fax: 35 17 01

Email: [januar@januar.fo](mailto:januar@januar.fo)

Web: [www.januar.fo](http://www.januar.fo)

## Management Report

The Board of Directors and Management today have hereby submitted the Annual Report and Accounts of P/F Vindfelagið í Húshaga for fiscal year 1 January – 31 December 2016.

The Annual Report and Accounts is drawn up pursuant to the Faroese Financial Statements Act.

It is our opinion that the accounting methods used are suitable and that the Accounts give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2016 and the result of operations for fiscal year 1 January – 31 December 2016.

It is also our opinion that the Management Review constitutes a true and fair report of the matters included in the Review.

The Annual Report is submitted to the Annual General Meeting with a recommendation for approval.

Tórshavn, the 31st of March 2017

## Management

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*Hákun Djurhuus*  
*Managing Director, CEO*

## Board

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*John Zachariassen*  
*Formaður*

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*Hans Jákup Johannesen*  
*Vice Chairman*

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*Marin Katrina Frýdal*

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*Jónsvein Hovgaard*

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*Sune Jacobsen*

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*Vinjard Tungá*

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*Kristian Eli Zachariassen*

# Independent Auditor's Report and Certification

To the shareholders of P/F Vindfelagið í Húsahaga

## Certification of Financial Statements

We have audited the financial statements of Vindfelagið í Húsahaga for the financial year 1 January to 31 December 2016, which comprise income statement, balance sheet, and notes, including summary of significant accounting policies, for the Company. The financial statements are prepared in accordance with the Faroese Financial Statements Act.

## Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Faroese Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Faroese audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

## Opinion

In our opinion, the financial statements give a true and fair view of Vindfelagið í Húsahaga's financial position as at 31 December 2016 and of the results of the Company's operations for the fiscal year 1 January to 31 December 2016 in accordance with the Faroese Financial Statements Act.

## Statement on the Management's review

Pursuant to the Faroese Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Tórshavn, 31 March 2017

**P/F Januar**

State Authorized Public Accountants

*Hans Laksá*  
State authorized auditor

## Key Figures and Financial Ratios

Figures in tDKK	2016	2015
<b>Income Statement</b>	tDKK	tDKK
Net Sales	14,158	-
Result before depreciation amortization and impairment	9,403	-
Result before interest	2,124	-
Interest	-2,712	-
<b>Annual result</b>	<b>-482</b>	-
<b>Balance sheet</b>		
Total assets	96,818	-
<b>Equity</b>	<b>21,518</b>	-



# Management Review

## Main Activities

The activity of the Company is the production of electricity from wind power.

## Business Activities and Financial Status of the Company

Sales for 2016 were DKK 14.2 million. Production of electricity power was 31.7 GWh in 2016.

The cost for goods and services in 2016 was DKK 4.7 million, while wage expense was DKK 60,000.

Depreciation was DKK 3.7 million, according to the accounting principles.

Interest expense was DKK 2.7 million in 2016.

The result after taxes for 2016 was DKK -0.5 million, which is around DKK 50,000 worse than budgeted. It is anticipated that the result for 2017 will be better than the previous year.

## Special Risks

The Company has undertaken initiatives to secure itself against possible risks

The Company has entered into a pricing agreement that secures a sale of 41.4 GWh per year to its parent company, SEV, for an agreed upon price, which, in 2016, was DKK 0.3288 ore per kWh. Thus, the Company's income stream is well established and secured.

The Company knows its operations and maintenance expenses because the Company has entered into an agreement with ENERCON, who is the supplier of the wind turbines, to provide maintenance, spare parts, and inspection of the wind turbines for a fixed price. The Company has also executed an administrative contract with the parent company SEV that encompasses all the Company's administrative needs and office expenses.

The Company has entered into a long-term loan from the parent company, SEV, for which, from December 2016 and for the next 10 years, the Company will pay a fixed interest of 2.003% per year, which SEV itself has secured.

The Company has insured its assets consistent with the insurance strategy of the parent company, SEV.

## Investments

The Company for 2016 has no other investment other than the purchase of the enterprise activities from SEV.

## Cash Flow

The Company does not maintain its own liquidity. The Company uses the liquidity of the parent company, SEV, to pay debt as it falls due and thus the Company maintains a current account with the parent company, SEV. The parent company has exceptionally good liquidity and has also secured access to operational financing over the next few years if the need arises.

## The Natural Environment

The Company has a high regard for the natural environment and all relevant legislation, directives, rules and regulations are always followed.

## Professional Knowledge and Human Resource Development

Along with the parent company, SEV, the Company is an active developer of knowledge within the field of wind energy production in the Faroe Islands, and strives continually to enhance the quality and the amount of electricity production from wind.

## Prospects for 2017

The Company anticipates to gain more from wind energy in 2017 compared to 2016 now that the Company has gained experience in the balancing of production in association with the battery system that went operational in 2015.

According to the Company's budget, the result is projected to be a negative DKK 179,000 in 2017.

## Events after the Closing of the Accounts

From the closing date of the financial statements to date, nothing has occurred that would impact the assessment of the annual accounts.



# Accounting Principles

## General

The Annual Accounts of P/F Vindfelagið í Húshaga are prepared in accordance with the provisions of the Faroese Financial Statements Act for class B corporations.

The Annual Accounts are presented in Danish kroner (DKK).

Amounts in the Income Statement, Balance Sheet, Notes, etc. are rounded to whole numbers, and comparative figures from the previous year are rounded to whole thousands. As each number is rounded individually, rounding differences may occur between the numbers presented and the sum of the underlying numbers.

Where a Table in the financial statement shows numbers in DKK rounded to whole thousand or million, and the Table shows differences between periods, either in DKK or percent, the comparisons are calculated on the basis of the underlying numbers and then rounded off. As a result of this, small differences can occur between the rounded numbers shown in the Table and the calculated comparisons.

## Basis for Recognition and Valuations

In the Income Statement, income is recognised as earned. The same pertains to value adjustments of financial assets and liabilities. Included in the Income Statement are all expenses, including depreciation, amortisation, provisions, and impairment losses derived of changes in the financial estimates of the amounts that otherwise have been recognised in the operational accounts.

Assets are recognised in the Balance Sheet when future economic benefits are likely to flow to the Company and the value of such assets can be measured reliably.

Liabilities are recognised in the Balance Sheet when they are reasonably likely to occur and can be measured reliably.

On recognition and valuation, due regard is given to foreseeable loss and risks arising before the time at which the Annual Report is presented, and relate to circumstances present as at the end of the fiscal year.

## Translation of Foreign Currency

Foreign currency transactions are translated using the rate of exchange applicable as at the date of transaction. Realised and unrealised translation gains and losses are recognised in the Income Statement under financial items.

Receivables, liabilities and other financial booking in foreign currencies that are not translated as at the end of the fiscal year are translated using the exchange rates applicable as at the end of the fiscal year. The difference between the exchange rate as at the end of the fiscal year and the exchange rate current as at the date of the transaction are recognised in the Income Statement under financial items.

## INCOME STATEMENT

### Net Sales

Net sales are recognised in the Income Statement, provided that delivery has been effected and the risk has passed to the buyer by the end of the fiscal year and income is reliably pending and is expected to be received. Net sales exclude VAT, fees and rebates in connection with sales.

### Consumption of Goods and Services

Consumption of goods and services includes costs for the purchase of raw materials and consumables less rebates and changes in inventory during the year.

### Other External Expenses

This item comprises external costs related to the purchase of oil, supplies and other services, as well as other administrative costs.

### Employee Expenses

Employee expenses encompass wages plus vacation pay and pension benefits including other social benefits. Any compensation received from the government is deducted from employee expenses.

### Depreciation and Write-downs

The depreciation and amortisation of intangible and tangible fixed assets are based on an asset's forecasted useful life.

### Financials

Financials include interest receivable and interest payable, realised and unrealised capital gains and losses on financial assets and debt. Financial revenue and expense are booked at value for the relevant accounting year.

Interest expense and other loan costs to finance production of intangible and tangible fixed assets and are related to the production period are not included in the forecasted useful life of the asset.

## BALANCE SHEET

### Tangible Assets

Tangible assets are valued at acquisition cost less accumulated depreciation and write-offs. Land is not depreciated.

The depreciation basis includes the acquisition value less the expected residual value at the end of the asset's prescribed useful life.

Acquisition value includes the purchase price and costs directly accruing from the time of acquisition to the time when the asset is ready for use.

Depreciation is based on an asset's forecasted useful life and the residual value of the asset:

	<i>Useful life</i>	<i>Residual value</i>
Vind turbines	15 years	0%
Production equipment and furnishing	3-5 years	0%

Equipment with an expected useful life under one year is expensed in the year of acquisition.

Regarding own production assets the acquisition value includes the cost of supplies / consumables, parts, suppliers, direct wage expense and indirect production costs.

### Depreciation of Fixed Assets

Every year the carrying amount of tangible fixed assets is appraised to obtain an indication of whether they have lost value or have been impaired. This is done in addition to general depreciation write-downs.

When a loss in value is indicated, impairment tests are carried out on each individual asset and each asset category. Assets with impaired value are written down to the recoverable amount, if this amount is lower than the carrying amount.

The recoverable amount is either the net realisable or sale value or the capital value. Capital value is calculated as the current value of the expected net revenues accruing from using an asset or asset group.

### Receivables

Receivables are valued at amortised acquisition cost, which

generally corresponds to nominal value. To guard against possible loss, receivables are written-down to net realised value.

### Current and Deferred Taxes

Current tax, payable and receivable, is recognised in the Balance Sheet as the tax computed on the basis of the taxable income for the year, adjusted for tax paid on account the previous year. Current tax payable and receivable tax are recognised based on the set off permitted by law and the booked amounts generally calculated at net or current.

Deferred tax is calculated on the basis of all temporary differences between the carrying amount and the tax base of assets and liabilities. This is recognised in the Balance Sheet based on intended use of the asset or how the debt is intended to be repaid.

Deferred tax assets, including tax deficits carried forward, are recognised at the anticipated realisable value, either by adjusting the tax on future income or by off-setting deferred tax within the same legal tax entity. Possible deferred net receivable tax is recognised at net realised value.

Deferred tax is valued consistent with the tax regulations and tax rates then applicable as at the end of the fiscal year.

Adjustments to deferred tax resulting from changes to tax rate are incorporated into the operational accounts.

### Liabilities

Relative to loan facilities, financial debt is recognised at realised or acquisition value, corresponding to the received amount less transaction fees. Subsequently, financial debt is recognised at the amortised realised value, which corresponds to capitalised value plus effective interest such that the difference between the received amount and the nominal value is recognised in the operational accounts over the period of the loan facility.

Debt to financial institutions is valued at amortised realised value, which corresponds to the residual debt for a cash loan. Regarding the value of bonds, the amortised realised value is calculated as the cash value on the date the bond was issued, adjusted by the booked depreciation during the installment period of the effective rate of interest at the time of contracting such debt.

Other debt is also measured at the amortised realised value, which usually corresponds to the nominal value.

# Income statement 1 January – 31 December

	Note	2016 DKK	2015 t. DKK
<b>Net Sales</b>	1	<b>14,158,428</b>	-
Other expenditure (goods and services)	2	-4,695,141	-
<b>Gross proceeds</b>		<b>9,463,287</b>	-
Employee expenses	3	-59,913	-
Depreciation, amortization and impairment of fixed assets		-7,279,436	-
<b>Result before financials</b>		<b>2,123,938</b>	-
Financial expenses	4	-2,711,534	-
<b>Result before tax</b>		<b>-587,596</b>	-
Tax on annual result	5	105,767	-
<b>Annual result</b>		<b>-481,829</b>	-
<b>Proposed distribution of result</b>			
Result carried forward		-481,829	-
<b>Total distribution</b>		<b>-481,829</b>	-

# Balance Sheet 31 December 2016

	Note	31.12.16 DKK	31.12.15 tDKK
<b>Assets</b>			
Production facilities	6	92,812,816	-
<b>Total tangible fixed assets</b>		<b>92,812,816</b>	-
<b>Total fixed assets</b>		<b>92,812,816</b>	-
Inter-company account		985,414	-
Tax asset		105,767	-
Prepayments		2,614,173	-
<b>Total receivables</b>		<b>3,705,355</b>	-
<b>Total current assets</b>		<b>3,705,355</b>	-
<b>Total assets</b>		<b>96,518,171</b>	-

# Balance Sheet 31 December 2016

LIABILITIES	Note	31.12.16 DKK	31.12.15 t. DKK
Equity	7	22,000,000	-
Result carried forward	7	-481,829	-
<b>Total equity</b>		<b>21,518,171</b>	-
Long-term debt	8	69,414,785	-
<b>Total long-term debt</b>		<b>69,414,785</b>	-
Current portion of long-term debt	8	5,585,215	-
<b>Total short-term debt</b>		<b>5,585,215</b>	-
<b>Total debt</b>		<b>75,000,000</b>	-
<b>Total liabilities</b>		<b>96,518,171</b>	-
Overview of turbine equipment	9		
Mortgages and other obligations	10		

# Notes

<b>1. NET TURNOVER</b>	<b>2016 DKK</b>	<b>2015 t.DKK</b>
Production of electricity	14,158,428	-
Other sales	0	-
<b>Total</b>	<b>14,158,428</b>	<b>-</b>

## 2. OTHER EXPENSES (GOODS AND SERVICES)

Lines	0	-
Dams, pipelines and tunnels	0	-
Tanks and environmental	0	-
Turbines	3,817,599	-
Electric and technical	921	-
Buildings and land	63,451	-
General meeting and board	0	-
Studies and consultancy	28,985	-
IT	0	-
Management and office expenses	25,000	-
Other operating expenses	262,843	-
Other administrative expenses	496,341	-
<b>Total</b>	<b>4,695,141</b>	<b>-</b>

<b>3. EMPLOYEE EXPENSES</b>	<b>2016 DKK</b>	<b>2015 t.DKK</b>
Wages	59,723	-
Pensions	110	-
Contributions	80	-
<b>TOTAL</b>	<b>59,913</b>	<b>-</b>

Employees with the company as main source of personal income	-	-
Average number of employees	-	-

4. FINANCIAL EXPENSES	2016 DKK	2015 tDKK
Interest, loans, and bank debt, etc.	2,711,534	-
<b>Total</b>	<b>2,711,534</b>	<b>-</b>

5. TAXES ON ANNUAL RESULT	2016 DKK	2015 tDKK
Corporate tax	0	-
Adjustment of deferred tax	-105,767	-
<b>Total</b>	<b>-105,767</b>	<b>-</b>

#### 6. TANGIBLE FIXED ASSETS

Amount in DKK	Production facilities	Total	2015
Acquisition value opening balance	0	0	-
Additions during the year	100,092,253	100,092,253	-
<b>Acquisition value closing balance</b>	<b>100,092,253</b>	<b>100,092,253</b>	<b>-</b>
Depreciation, amortization and impairment opening balance	0	0	-
Depreciation, amortization and impairment during the year	-7,279,436	-7,279,436	-
Depreciation, amortization and impairment closing balance	-7,279,436	-7,279,436	-
<b>Book value year-end</b>	<b>92,812,816</b>	<b>92,812,816</b>	<b>-</b>
<i>Carrying amount year-end 2015</i>	-	-	-
<b>Fixed assets at year-end</b>	<b>92,812,816</b>	<b>92,812,816</b>	<b>-</b>
<i>Fixed assets at year-end 2015</i>	-	-	-



## 7. EQUITY

Total in DKK	Equity	Result carried over	Total
Equity statement 01.01.16 - 31.12.16			
Balance 01.01.16	22,000,000	0	22,000,000
Annual result	0	-481,829	-481,829
Balance 31.12.16	22,000,000	-481,829	21,518,171

## 8. DEBT

	Repayment in first year DKK	Outstanding debt after 5 years DKK	Total debt 31.12.16 DKK
Long-term debt	5,585,215	51,972,536	75,000,000
<b>Total</b>	<b>5,582,215</b>	<b>51,972,536</b>	<b>75,000,000</b>

The outstanding debt after 5 years is calculated as an annuity loan to be paid over 12 years from 2016.

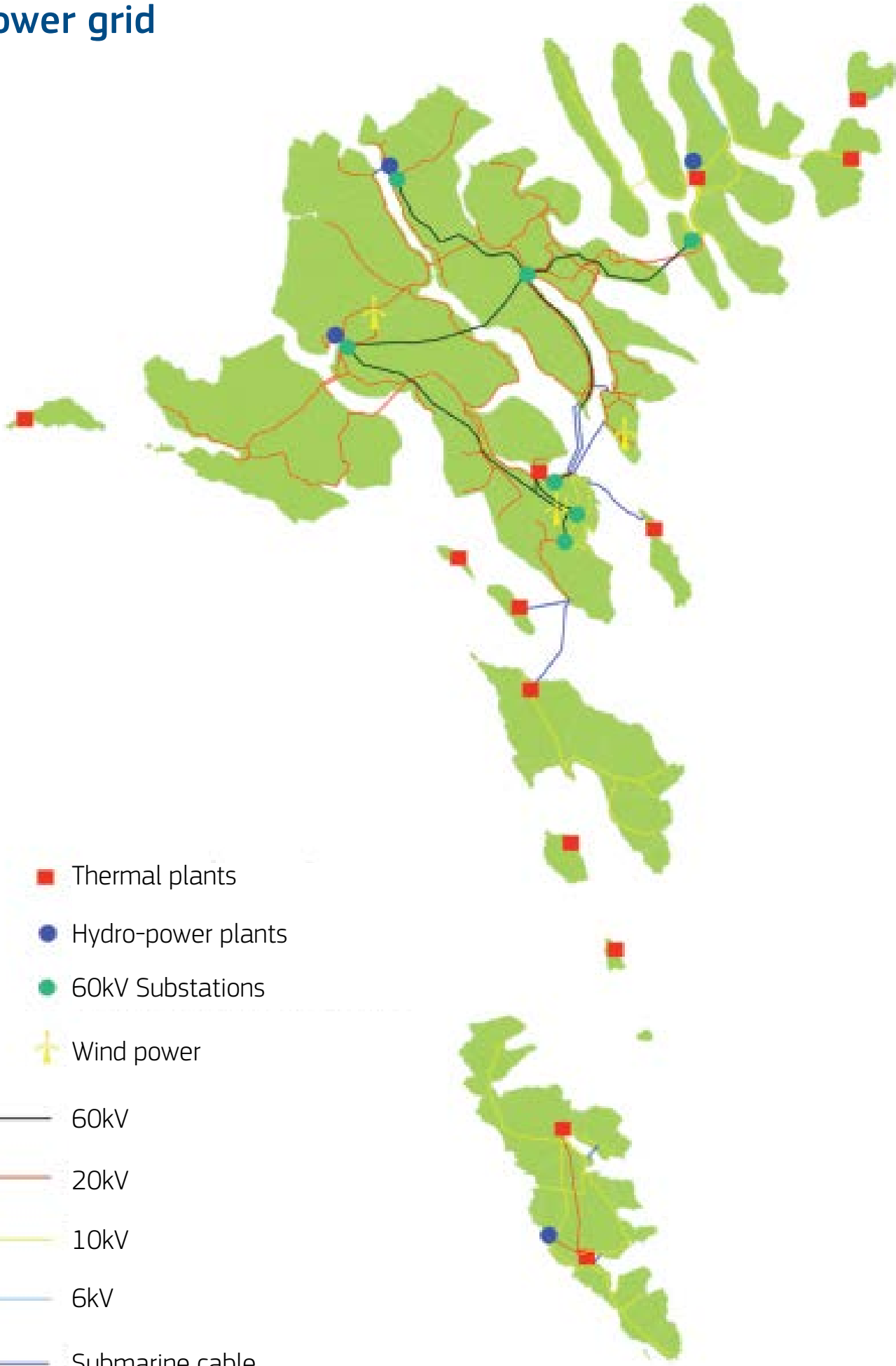
## 9. OVERVIEW OF TURBINE EQUIPMENT

Location	Turbine	MW	Type	Supplier	Powered by	Year	Age	Total Hours	Hours 2016
Húsahagi	T1	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,989	7,689
Húsahagi	T2	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,442	7,375
Húsahagi	T3	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,700	7,421
Húsahagi	T4	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,742	7,290
Húsahagi	T5	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,597	7,358
Húsahagi	T6	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,278	7,424
Húsahagi	T7	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,327	7,097
Húsahagi	T8	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,154	6,899
Húsahagi	T9	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	17,991	7,384
Húsahagi	T10	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	18,106	7,385
Húsahagi	T11	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	18,687	7,590
Húsahagi	T12	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	18,078	7,411
Húsahagi	T13	0.9	Wind turbine (pitch reg.)	Enercon	Wind	2014	2	18,688	7,555

## 10. MORTGAGES AND OTHER OBLIGATIONS

The Company holds no mortgages nor is it subject to any court case. The Company is bound by operating and maintenance agreements in 2017 equaling DKK 3.7 million.

# Power grid



■ Thermal plants

● Hydro-power plants

● 60kV Substations

✚ Wind power

— 60kV

— 20kV

— 10kV

— 6kV

— Submarine cable

