

**Directors' Annual Report and
Financial Statements**
Hywind (Scotland) Limited

For the year ended 31 December 2015



Hywind (Scotland) Limited

Registered No. 08709450

DIRECTORS

T Bokn (Appointed 11 January 2016)

H Brustad

T I Ulla

E M Machacek (Resigned 11 January 2016)

SECRETARY

A J Saul

AUDITOR

KPMG LLP

15 Canada Square

London

E14 5GL

BANKERS

JP Morgan Chase Bank

125 London Wall

London

EC2Y 5AJ

REGISTERED OFFICE

1 Kingdom Street

London

W2 6BD

Hywind (Scotland) Limited

DIRECTORS' REPORT

The Directors present their annual report with the financial statements of Hywind (Scotland) Limited ("the Company") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND FURTHER DEVELOPMENTS

The principal activity of the Company in the period under review was that of a wind energy developer.

The Company is developing the first floating wind farm off the Scottish coast. The wind farm will be located near Buchan Deep, approximately 25-30 km off the coast of Peterhead in Aberdeenshire. The 30 MW pilot project will consist of five, 6 MW floating turbines. Construction will commence in 2016 with initial generation expected in 2017.

In November 2015, project sanction was granted. In line with company accounting policies, costs are capitalised on the balance sheet following the project passing decision gate 3, project sanction.

STRATEGIC REPORT

The Company has taken advantage of the exemption contained in section 414B of the Companies Act 2006 not to prepare a Strategic Report as it is eligible to prepare its financial statements in accordance with the small companies regime.

SMALL COMPANY PROVISIONS

The Company qualifies as small in terms of sections 382 and 383 of the Companies Act 2006. This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to the small companies regime.

RESULTS AND DIVIDENDS

The loss for the year ended 31 December 2015 was £16,345,797 (loss of £13,282,370) for the 15 month and 4 day period ended 31 December 2014). The Directors do not recommend the payment of a dividend.

POLITICAL CONTRIBUTIONS

No contributions were made to a political party during either period.

EMPLOYEES

The company has no employees.

POST BALANCE SHEET EVENT

In August 2016, 92,000,000 ordinary shares with aggregate nominal value of £92,000,000 were allotted for cash consideration.

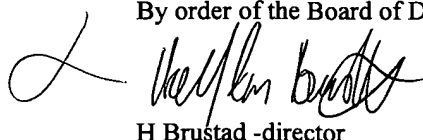
DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board of Directors



H Brustad -director

15 September 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the shareholders of Hywind (Scotland) Limited

We have audited the financial statements of Hywind (Scotland) Limited for the year ended 31 December 2015 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

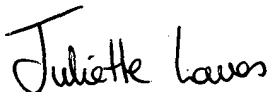
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Juliette Lowes (Senior Statutory Auditor)

Chartered Accountants
15 Canada Square
London
E14 5GL
15 September 2016

Hywind (Scotland) Limited

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2015

	Note	Year ended 31 December 2015	15 month and 4 day period to 31 December 2014
		£	£
Development expenditure		(16,211,471)	(13,373,758)
GROSS LOSS		(16,211,471)	(13,373,758)
Administrative expenses		(24,487)	(7,178)
OPERATING LOSS	3	(16,235,958)	(13,380,936)
Interest receivable and similar income	5	6,607	105,020
Interest payable and similar charges	6	(117,276)	(4,625)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(16,346,627)	(13,280,541)
Tax on loss on ordinary activities	7	830	(1,829)
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		(16,345,797)	(13,282,370)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(16,345,797)	(13,282,370)

All operations are derived from continuing operations.

The profit and loss account is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 13.

Hywind (Scotland) Limited


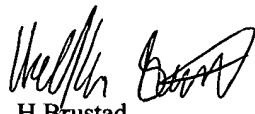
BALANCE SHEET at 31 December 2015

Registered number 08709450

	Notes	31 December 2015 £	31 December 2014 £
FIXED ASSETS			
Tangible assets	8	10,018,915	-
CURRENT ASSETS			
Debtors	9	41,054,831	1,197,087
		<u>41,054,831</u>	<u>1,197,087</u>
CREDITORS: amounts falling due within one year	10	(9,951,913)	(3,729,457)
		<u>(9,951,913)</u>	<u>(3,729,457)</u>
NET CURRENT ASSETS / (LIABILITIES)		31,102,918	(2,532,370)
TOTAL ASSETS LESS CURRENT LIABILITIES		41,121,833	(2,532,370)
		<u>41,121,833</u>	<u>(2,532,370)</u>
NET ASSETS / (LIABILITIES)		41,121,833	(2,532,370)
		<u>41,121,833</u>	<u>(2,532,370)</u>
CAPITAL AND RESERVES			
Called up share capital	11	70,750,000	10,750,000
Profit and loss account		(29,628,167)	(13,282,370)
		<u>(29,628,167)</u>	<u>(13,282,370)</u>
SHAREHOLDER'S FUNDS / (DEFICIT)		41,121,833	(2,532,370)
		<u>41,121,833</u>	<u>(2,532,370)</u>

The balance sheet is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 13.

Approved by the Board of Directors on 15 September 2016 and signed on their behalf by:



H Brustad
Director

Hywind (Scotland) Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

	Share capital	Profit & loss Account	Total Shareholder's Deficit
	£	£	£
Issue of share capital	10,750,000	-	10,750,000
Loss for the period	-	(13,282,370)	(13,282,370)
Other comprehensive income	-	-	-
At 31 December 2014	10,750,000	(13,282,370)	(2,532,370)
Issue of share capital	60,000,000	-	60,000,000
Loss for the year	-	(16,345,797)	(16,345,797)
Other comprehensive income	-	-	-
At 31 December 2015	70,750,000	(29,628,167)	41,121,833

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2015

1. ACCOUNTING POLICIES

Hywind (Scotland) Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The presentation currency of these financial statements is sterling.

Due to a change in accounting reference date in the prior period, the comparative figures are prepared for the 15 months and 4 days from incorporation until 31 December 2014.

The Company’s ultimate parent undertaking, Statoil ASA, includes the Company in its consolidated financial statements. The consolidated financial statements of Statoil ASA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from www.statoil.com. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Statoil ASA include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, have been applied consistently throughout the period presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Foreign currencies

Transactions in foreign currencies are translated to the Company’s functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Research and development

Research expenditure is written off as incurred.

Development costs are expensed in the profit and loss account until the point at which the Company sanctions the wind farm and commits the resources required to complete the project. Once the project is sanctioned and the directors are satisfied as to the technical, commercial and financial viability of the project, development costs will be capitalised and depreciated over the useful production life of the wind farm. The current project ongoing was sanctioned in November 2015.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2015

1. ACCOUNTING POLICIES (CONTINUED)

Interest receivable and interest payable

Interest payable and similar charges include interest payable. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are included with interest payable and similar charges.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Related party transactions

The company has taken advantage of the exemption contained within FRS 102.33, “*Related Party Disclosures*”, and has not disclosed transactions with group companies.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related differences, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Accounting estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates.

In the current period, a deferred tax asset relating to pre-trading losses has not been recognised. The directors consider there is not yet reasonable certainty that these amounts can be recovered in the future.

The carrying value of tangible assets is a significant area of judgement principally around any indicators of impairment and going forward, the depreciation policies adopted.

Hywind (Scotland) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2015

2. STAFF COSTS

There were no staff costs for the period ended 31 December 2015 (2014 : £nil).

The Company has no employees. The directors did not receive, nor were due, any remuneration in respect of their services to the Company in the period.

3. OPERATING LOSS

The operating loss is stated after charging / (crediting):

	2015	2014
	£	£
Development costs	16,211,471	13,373,758

The development costs relate to amounts incurred prior to project sanction in November 2015.

4. AUDITOR'S REMUNERATION

	2015	2014
	£	£
Audit of these financial statements	4,500	4,500

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£	£
Net foreign exchange gain	5,649	96,631
Interest receivable from group companies	958	8,389
	6,607	105,020

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Interest payable to group companies	117,030	4,516
Bank and similar charges	246	109
	117,276	4,625

Hywind (Scotland) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2015

7. TAX

a) Tax on loss on ordinary activities:

	2015 £	2014 £
<i>Current tax:</i>		
Corporation tax on income for the period	194	1,829
Prior year adjustment	(1,024)	-
Total current tax (credit) / charge	(830)	1,829

b) Factors affecting current tax charge:

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The differences are reconciled below:

	2015 £	2014 £
Loss on ordinary activities before taxation	(16,346,627)	(13,280,541)
Tax using the UK corporation tax rate of 20.25% (2014: 21.8%)	(3,310,192)	(2,895,158)
Current year losses for which no deferred tax asset was recognised	3,310,386	2,896,987
Prior year adjustment	(1,024)	-
Total tax (note 5a)	(830)	1,829

A deferred tax asset of £5,333,740 relating to trading expenditure not yet deductible has not been recognised as the entity has not yet started earning income from its activities.

c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

Hywind (Scotland) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2015

8. TANGIBLE FIXED ASSETS

	Assets under Construction £
COST AND NET BOOK VALUE	
At 1 January 2015	-
Additions	10,018,915
At 31 December 2015	10,018,915

Following sanction of the project being obtained in November 2015, all related costs are now being capitalised. No depreciation will be applied until the asset is in use.

9. DEBTORS

	2015 £	2014 £
VAT recoverable	94,941	36,825
Other debtors	-	2,130
Amounts owed by group undertakings	40,959,890	1,158,132
	41,054,831	1,197,087

10. CREDITORS: amounts falling due within one year

	2015 £	2014 £
Trade creditors	7,531,074	-
Accruals	1,042,403	3,122,168
Amounts owed to group undertakings	1,378,078	605,460
Corporation tax	358	1,829
	9,951,913	3,729,457

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2015

11. SHARE CAPITAL

Ordinary shares of £1 each	Ordinary shares
At 1 January 2015	10,750,000
Issued during the period	60,000,000
	<hr/>
At 31 December 2015	70,750,000
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In December 2015, 60,000,000 ordinary shares with aggregate nominal value of £60,000,000 were allotted. The consideration for these shares was settled by an intercompany transaction.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12. CAPITAL COMMITMENTS

At 31 December 2015, the Company had non-cancellable commitments of £5,407k (2014 : £nil).

13. ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary undertaking of Statoil Wind Limited. The ultimate controlling party is the Norwegian government.

The largest group in which the results of the Company are consolidated is that headed by Statoil ASA, incorporated in Norway. No other group financial statements include the results of the Company. The consolidated financial statements of Statoil ASA are available to the public and may be obtained from www.statoil.com.

14. POST BALANCE SHEET EVENT

In August 2016, 92,000,000 ordinary shares with aggregate nominal value of £92,000,000 were allotted for cash consideration.