Registered No. 08709450

Annual Report and Financial Statements

Hywind (Scotland) Limited

For the year ended 31 December 2019

Hywind (Scotland) Limited

Registered No. 08709450

DIRECTORS

A Al Naqbi	(Appointed 23 January 2020)
S Bringsværd	
M A El Ramahi	
F Fassio	(Resigned 25 September 2019)
S Flørenæs	(Appointed 20 February 2019)
O Leivestad	(Appointed 1 February 2019; Resigned 20 February 2019)
B Myking	(Resigned 1 February 2019)
M Negrescu	(Appointed 4 February 2020)
S Trollnes	(Resigned 4 February 2020)

SECRETARY

Mitre Secretaries Limited	(Appointed 17 August 2020)
B H Berge	(Resigned 1 February 2019)
L Balbuckaite	(Appointed 1 February 2019; Resigned 23 January 2020)
C Williams	(Appointed 23 January 2020; Resigned 29 July 2020)

AUDITOR

Ernst & Young LLP
1 More London Riverside
London
SE1 2AF

REGISTERED OFFICE

1 Kingdom Street
London
W2 6BD

STRATEGIC REPORT

The directors of Hywind (Scotland) Limited (Hywind) present their strategic report for the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

Hywind (Scotland) Limited (Hywind) is the world's first floating wind farm. It is located near Buchan Deep, approximately 25-30 km off the coast of Peterhead in Aberdeenshire, Scotland. The 30 MW pilot project consists of five, 6 MW floating turbines.

Hywind has had another successful year of operations, with annual generation of 141GWh (2019 : 138 GWh).

KEY PERFORMANCE INDICATORS

Asset Performance

	Actual	Budget	Deviation
Generation (settlement basis, GWh)	141	141	0%
Availability (PBA)	95.6%	92.8%	+3%

Financials

	Actual	Budget	Deviation
Revenue (£ million)	33.6	33.1	+2%
Net result after tax (£ million)	11.3	12.0	-6%

HSE 2019

Total recorded injury frequency (TRIF)	1
Serious incident frequency (SIF) – per million hours	0
Reportable environmental incidents	1

FUTURE DEVELOPMENTS

There are no planned changes to the activities of the Company in the future.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks that the Company faces in the course of conducting its business operations. Although not exhaustive, the following list highlights the principal risks and uncertainties.

COVID-19

A COVID-19 risk assessment has been performed and identified critical business functions and personnel in the event of a disruption in operations relating to the pandemic. The assessment included engagement with key stakeholders and support functions within Equinor's SSU and Business Continuity teams. Focusing on key aspects of the business, in a scenario-based approach has supported the prioritisation of actions and allocation of resources in response to COVID-19. Analysis of COVID-19 developments and potential impact to Hywind and its partners will continue prioritising robust mitigations. The Company remains committed to ensuring safe and efficient operations.

HSSE risk

The nature of operations exposes the company to health, safety, security and environmental (HSSE) risks. For 2019 this related to operation and maintenance activities offshore which involved transport and access to wind turbine generators (WTGs) and substations, work on high voltage systems, operation of marine vessels and lifting activities associated with the repair and maintenance of offshore installations. The organisation under the operatorship of Equinor has been structured and integrated to address the nature of activities with appropriate structures and procedures in place to handle these risks and to meet the requirements of UK legislation.

Wind speed risk

The risk of lower than anticipated production owing to the unpredictable nature of wind as a resource is mitigated by appropriate panning processes to ensure that WTG availability for production is maximised during periods of high mean wind speed. To further facilitate this, extensive experience is also gained from operational experience from the owners' organisations.

Price risk

The Company sells power based on a recognised index and is exposed to price variations that occur within the index.

Legislative risk

There is a risk of adverse legislation changes against the Company impacting its ability to make returns on the investment made. This risk is managed by close monitoring of, and involvement in, the developments in applicable renewable regimes in the UK.

Asset failure risk

The failure of one or more turbines or part of the transmission assets could lead to high rectification costs, loss of revenue and impact the Company's ability to trade. In this case, the Company has maintenance contracts in place in the event of such failure and insurance policies to cover loss from property damage and business interruptions.

S Flørenæs
Director
20 August 2020

DIRECTORS' REPORT

The directors present their report with the financial statements of Hywind Offshore (Wind) Limited ("the Company") for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £11,319k (year ended 31 December 2018: £9,763k profit). An interim dividend was paid during the year of 11.26p per share (2018 : £nil).

GOING CONCERN

On the basis of current financial projections, the directors of the Company consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements.

The Company's business activities together with the factors likely to affect its future developments and the Company's objectives, policies and processes from managing its risks are set out in the Strategic Report.

The Company's going concern assumption is based on the outcome of scenarios that show the Company's ability to withstand the expected market disruption arising from the COVID-19 post balance sheet event including varying the duration of the effects of the pandemic and the timing of recovery as the restriction measures on society and business are eased.

The implementation of social restriction measures by the UK government has resulted in less demand for electricity, resulting in lower power prices. Despite the Company's sales being substantially protected by a stable renewable subsidy income, volatility in power price and produced volume have an impact on the Company's earnings. In addition, limitations in travel, social distancing and the availability of materials may an affect the efficiency of operations. The current unprecedented economic environment has created uncertainty in relation to the timing of a return to normalised electricity demand levels and the ability to run operations at full efficiency.

The Company has modelled various scenarios to determine the impact of a potential reduction in production volumes and prices. Based on these scenarios and the resources available to the Company, the directors believe the Company has more than sufficient liquidity to manage through a range of different cashflow scenarios over the next 12 months from the date of approval of these financial statements. Given the Group's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

UK charitable donations in the year ended 31 December 2019 amounted to £273k (2018: £1k). No contributions were made to a political party during the year.

DIRECTORS AND THEIR INTERESTS

The directors who served the Company during the year and changes since 31 December 2019 are listed on page 1. None of the directors at any time during the period ended 31 December 2019 had any beneficial interest in the shares or debentures of the Company.
None of the directors at any time during the period ended 31 December 2019 had any material interest in any contracts with the Company.

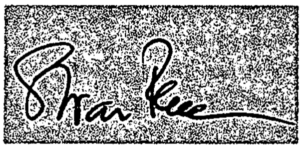
DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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.

AUDITORS

In December 2019, the board approved the appointment of Ernst & Young LLP as auditor.

By order of the Board of Directors



S Flørenæs – Director

20 August 2020

I Kingdom Street
London
W2 6BD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 MEMBERS OF HYWIND (SCOTLAND) LIMITED

OPINION

We have audited the financial statements of Hywind (Scotland) Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account and other comprehensive income, the Balance Sheet, the Statement of changes in equity, Statement of Cash Flows and the related notes1 to 16, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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.

EMPHASIS OF MATTER – EFFECTS OF COVID-19

We draw attention to note 1 and 16 of the financial statements, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYWIND (SCOTLAND) LIMITED (CONTINUED)

OTHER INFORMATION

The other information comprises the information included in the annual reports set out on pages 2-5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYWIND (SCOTLAND) LIMITED (CONTINUED)

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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

N Moolf

Natalia Moolman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

20 August 2020

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019	2018
		£'000	£'000
TURNOVER	3	**33,606**	29,054
Cost of sales		**(19,217)**	(19,714)
GROSS PROFIT		**14,389**	9,340
Administrative expenses		**(508)**	(376)
Foreign exchange gains		**33**	292
OPERATING PROFIT	4	**13,914**	9,256
Interest receivable and similar income	5	**81**	29
Interest payable and similar charges	6	**(522)**	(643)
PROFIT BEFORE TAXATION		**13,473**	8,642
Tax on profit	7	**(2,154)**	1,121
PROFIT FOR THE FINANCIAL YEAR		**11,319**	9,763
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,319**	9,763

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 14 to 23.

BALANCE SHEET

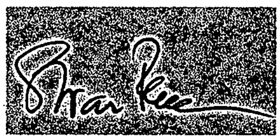
Registered number 08709450

at 31 December 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets	8	**253,645**	267,726
CURRENT ASSETS			
Debtors	9	**23,542**	31,219
Cash at bank and in hand		**104**	380
		23,646	31,599
CREDITORS: amounts falling due within one year	10	**(269)**	(641)
NET CURRENT ASSETS		**23,377**	30,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**277,022**	286,684
PROVISIONS	11	**(19,800)**	(19,281)
NET ASSETS		**257,222**	279,403
CAPITAL AND RESERVES			
Called up share capital	12	**208,285**	297,550
Profit and loss account		**48,937**	(18,147)
SHAREHOLDER'S FUNDS		**257,222**	279,403

The balance sheet is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 14 to 23.

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



.... S Flørenæs – Director

20 August 2020

STATEMENT OF CHANGES IN EQUITY

	Share capital	Profit & loss Account	Total Shareholders' Assets
	£'000	£'000	£'000
At 1 January 2018	291,350	(27,910)	263,440
Issue of share capital	6,200	-	6,200
Profit for the year	-	9,763	9,763
At 31 December 2018	297,550	(18,147)	279,403
Reduction in share capital	(89,265)	89,265	-
Profit for the year	-	11,319	11,319
Dividend distribution	-	(33,500)	(33,500)
At 31 December 2019	**208,285**	**48,937**	**257,222**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019 £'000	2018 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**11,319**	9,763
Adjustments for:		
Depreciation	**14,102**	14,441
Interest payable and similar expenses	**522**	643
Interest receivable and similar income	**(81)**	(29)
Taxation	**2,154**	(1,121)
	28,016	23,69(7
Decrease/ (increase) in trade and other debtors	**5,523**	(21,695)
(Decrease) in trade and other creditors	**(372)**	(1,950)
	33,167	52
Dividends paid	**(33,500)**	-
Interest received	**81**	29
Interest paid	**(3)**	(7)
NET CASH FROM OPERATING ACTIVITIES	**(255)**	74
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of tangible fixed assets	**(21)**	(5,894)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	**-**	6,200
Net increase in cash and cash equivalents	**(276)**	380
Cash and cash equivalents at 1 January	**380**	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**104**	380

1. ACCOUNTING POLICIES

Hywind (Scotland) Limited is a company limited by shares and incorporated and domiciled in the England and Wales, registration number 8709450. The registered office is shown on page 1

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 102, the financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102") and issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements are prepared under the historical cost accounting convention and in accordance with applicable UK accounting standards.

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 to the profit and loss account until the point at which a project is sanctioned and resources required to complete the project are committed. Development costs incurred after this point are capitalised.

Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

1. ACCOUNTING POLICIES (CONTINUED)

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Expenditure on tangible fixed assets is capitalised in the month in which it is incurred. The Company undertakes a review for impairment of the costs capitalised if events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount that is the higher of net realisable value and value in use, the fixed asset costs are written down to their recoverable amount.

Depreciation

All windfarm assets are depreciated on a straight line basis over their estimated useful economic lives of 20 years starting the month after they commence full production.

Asset Retirement Obligation

A decommissioning provision arises when the legal obligation to remove an installation arises for the windfarm construction activities. The amount recognised is the present value of the estimated figure expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset is also created of an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and is derived from the Company's principal activity which is the generation of electricity from wind turbines.

Revenue is derived from the sale of electricity under a power purchase agreement (PPA) with Equinor ASA/Danske Commodities AS and the sale of Renewable Obligation Certificates (ROCs) to Equinor ASA/Danske Commodities AS. During the year, the sales contracts with Equinor ASA were transferred to Danske Commodities AS, a fully owned subsidiary of Equinor ASA.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

The carrying value of tangible assets is a significant area of judgement, principally around any indication of impairment and the depreciation policy adopted.

The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provisions to be recognised.

Any changes in the expected future costs are reflected in both the decommissioning liability and the asset.

Changing the assumptions selected by management, in particular the cost estimate, timing and discount rate used in the present value calculation, could significantly affect the valuation of decommissioning assets and liabilities.

The ROC recycle year runs from 1 April to 31 March. The ROC recycle value is only published approximately 9 months after the end of the period. Therefore judgement is required when estimating the ROC recycle accrued income for the period from 1 April 2019 to 31 December 2019.

Going concern

On the basis of current financial projections, the directors of the Company consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements.

The Company's business activities together with the factors likely to affect its future developments and the Company's objectives, policies and processes from managing its risks are set out in the Strategic Report.

1. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

The Company's going concern assumption is based on the outcome of scenarios that show the Company's ability to withstand the expected market disruption arising from the COVID-19 post balance sheet event including varying the duration of the effects of the pandemic and the timing of recovery as the restriction measures on society and business are eased.

The implementation of social restriction measures by the UK government has resulted in less demand for electricity, resulting in lower power prices. Despite the Company's sales being substantially protected by a stable renewable subsidy income, volatility in power price and produced volume have an impact on the Company's earnings. In addition, limitations in travel, social distancing and the availability of materials may an affect the efficiency of operations. The current unprecedented economic environment has created uncertainty in relation to the timing of a return to normalised electricity demand levels and the ability to run operations at full efficiency.

The Company has modelled various scenarios to determine the impact of a potential reduction in production volumes and prices. Based on these scenarios and the resources available to the Company, the directors believe the Company has more than sufficient liquidity to manage through a range of different cashflow scenarios over the next 12 months from the date of approval of these financial statements. Given the Group's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

2. STAFF COSTS AND DIRECTORS' EMOLUMENTS

There were no staff costs for the period ended 31 December 2019 (2018: £nil).

The Company has no employees.

Key management are defined as the directors of the company.

The directors are employed by the shareholder entities in respect of whom no recharge of costs was made to the Company for the services provided in the year (2018:£nil).

3. TURNOVER

Turnover is in relation to income from generation of wind-powered electricity, and is stated net of VAT. The company sells all production and associated certificates produced to entities within shareholder groups in Europe.

TURNOVER BY ACTIVITY

	2019	2018
	£'000	£'000
Sales of power	**4,951**	6,959
Renewable certificates	**28,655**	22,095
	33,606	29,054

4. OPERATING PROFIT

The operating profit is stated after charging:

	2019	2018
	£'000	£'000
Auditor's remuneration - audit	**37**	40
Foreign exchange gains	**33**	292
Depreciation	**14,102**	14,441
Operating lease expense	**766**	72

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£'000	£'000
Interest receivable from related parties	**80**	29
Bank interest receivable	**1**	
	81	29

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£'000	£'000
Interest payable to related parties	**2**	7
Bank and similar charges	**1**	1
Finance cost on unwinding of discount factor on non-current provisions	**519**	635
	522	643

7. TAX

	2019	2018
a) Tax on profit on ordinary activities:	**£'000**	£'000
Current tax:		
Prior year adjustments	-	(496)
Total current tax	-	(496)
Deferred tax:		
Current year movement	**2,325**	1,711
Prior year adjustment	**(171)**	(2,336)
Total deferred tax	**2,154**	(625)
Total tax charge (note 7b)	**2,154**	(1,121)

7. TAX (CONTINUED)

b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	**13,473**	8,642
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2018: 19%)	**2,560**	1,642
Permanent difference - depreciation on non-qualifying assets	**38**	-
Prior year adjustment – accelerated capital allowances	**(452)**	3,260
Prior year adjustment – losses b/f	**281**	(5,596)
Prior year adjustment – group relief	**-**	(496)
Corporation tax rate changes	**(273)**	69
Total tax charge	**2,154**	(1,121)

c) Deferred tax:

	2019 £'000	2018 £'000
Deferred tax is shown on the balance sheet within:		
Current debtors	**879**	3,033

	2019 £'000	2018 £'000
The breakdown of deferred tax on the balance sheet is:		
Accelerated capital allowances	**(11,574)**	(8,059)
Deferred tax on asset retirement obligation	**569**	325
Deferred tax on losses c/f at 31 December 2019	**11,884**	10,767
	879	3,033

8. TANGIBLE FIXED ASSETS

	Capitalised decommissioning costs	Wind farm assets	Total
	£'000	**£'000**	**£'000**
COST			
At 1 January 2019	18,645	264,665	283,310
Additions	-	21	21
At 31 December 2019	**18,645**	**264,686**	**283,331**
DEPRECIATION			
At 1 January 2019	1,278	14,306	15,584
Charge for the year	917	13,185	14,102
At 31 December 2019	**2,195**	**27,491**	**29,686**
NET BOOK VALUE			
At 31 December 2019	**16,450**	**237,195**	**253,645**
At 31 December 2018	17,367	250,359	267,726

9. DEBTORS

	2019	2018
	£'000	£'000
Trade debtors	-	6,200
VAT recoverable	**8**	233
Other debtors	**36**	36
Prepayments	**95**	459
Amounts owed by a related party	**9,074**	13,894
Related party accrued income	**13,450**	7,364
Deferred tax asset (£879k due after more than one year)	**879**	3,033
	23,542	31,219

10. CREDITORS: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**56**	591
Related party creditors	**121**	-
Accruals	**92**	50
	269	641

11. PROVISIONS

	Decommissioning provision £'000
At 1 January 2019	**19,281**
Finance charge (see note 6)	**519**
At 31 December 2019	**19,800**

The decommissioning provision is the present value of costs expected costs to be incurred in decommissioning the wind farm at the end of its 20 year life. This provision is based on estimates of costs which will not be incurred for 18 years and therefore there is a risk that these cost estimates are not accurate. The costs are then discounted back to present value at a pre-tax rate of 2.69% (2018: 2.69%) that reflects current market assessments of the time value of money and risks specific to the liability. As the discount factor varies, adjustments are made to the present value of the liability.

12. SHARE CAPITAL

Ordinary shares	Ordinary shares £'000
At 1 January 2019 - 297,550,000 ordinary shares of £1 each	**297,550**
Share capital reduction by £0.30 upon each share	**(89,265)**
At 31 December 2019 – 297,550,000 ordinary shares of £0.70 each	**208,285**

In June 2019, a special resolution was passed to reduce the Company's paid up capital to the extent of £0.30 upon each of the 297,500,000 issued ordinary shares, thereby reducing the nominal value of each of the ordinary shares to £0.70.

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.

13. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into and balances outstanding at 31 December are as follows:

	Purchases from related parties		Sales to related parties		Amounts owed by related parties (including accrued income)		Amounts owed to related parties	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Equinor ASA	**478**	808	**10,121**	29,054	**639**	21,258	**50**	-
Danske Commodities AS	**-**	-	**23,485**		**21,885**		**-**	
Equinor Energy AS	**-**	1	**-**	14	**-**	-	**-**	-
Equinor Production UK Limited	**1**	-	**-**	-	**-**		**-**	
Equinor UK Limited	**782**	703	**-**	-	**-**	-	**55**	-
Dudgeon Offshore Wind Limited	**118**	113	**-**	-	**-**	-	**16**	-
	1,379	1,625	**33,606**	29,068	**22,524**	21,258	**121**	-

Equinor UK Limited, Equinor Energy AS and Danske Commodities AS are all 100% owned subsidiaries of Equinor ASA.

Dudgeon Offshore Wind Limited is jointly controlled by Equinor New Energy Limited, Masdar Offshore Wind Limited and a third party.

14. CAPITAL AND OPERATING LEASE COMMITMENTS

Operating lease commitments

	31 December 2019	31 December 2018
	£'000	£'000
Lease payments under operating leases recognised in the period	**766**	72
Minimum value of lease repayments under non-cancellable operating leases:		
Within 1 year	**1,110**	51
Within 2-5 years inclusive	**2,322**	205
After 5 years	**1,543**	1,595
	4,975	1,851

At 31 December 2019, the Company had non-cancellable commitments of £nil (2018: £nil).

15. ULTIMATE CONTROLLING UNDERTAKING

The company is a joint venture, jointly controlled by its parents, Equinor New Energy Limited and Masdar Offshore Wind Scotland Limited.

16. POST BALANCE SHEET EVENTS

On 30 January 2020, subsequent to the balance sheet date, the World Health Organisation declared COVID-19 as a public health emergency and on 11 March 2020 the virus was declared as a pandemic. Given the COVID-19 scalation subsequent to the balance sheet date Given the COVID-19 scalation subsequent to the balance sheet date and considering the virus did not impact the Company in the year ended 31 December 2019, this represents a non- adjusting post balance sheet event. Accordingly no adjustments were made to the carrying values of assets and liabilities. The impact on the going concern is described in note 1 of this financial statements.

On 3 April 2020 the Company paid out a dividend of £15,500,000 to its shareholders on the basis of their respective shareholdings. At the time of paying dividend a thorough analysis was completed regarding the liquidity of the Company, taking into account the impact of COVID-19, as discussed in note 1. Sufficient headroom in liquidity was deemed to be available to distribute a dividend and continue to safeguard the Company's operations for at least 12 months from the date of approval of the financial statements.