Registered No. 08709450

Annual Report and Financial Statements

Hywind (Scotland) Limited

For the year ended 31 December 2022

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COMPANY INFORMATION

DIRECTORS
A Al Naqbi
S Berge (Appointed 11 November 2022)
M A El Ramahi
S C Indrebo (Resigned 11 November 2022)
M Negrescu
L R T Sorensen

SECRETARY
Mitre Secretaries Limited

AUDITOR
Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

REGISTERED OFFICE
1 Kingdom Street
London
W2 6BD

STRATEGIC REPORT

The directors of Hywind (Scotland) Limited (the "Company") present their strategic report for the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the production of offshore wind energy.

REVIEW OF THE BUSINESS AND FUTURE DEVLOPMENTS

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 continues to maximise electricity generation and has had another successful year of operations, with no recordable HSE events or injuries.
The results for the year are presented in the Profit and loss account on page 14.

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

KEY PERFORMANCE INDICATORS (KPI)

FINANCIALS	**2022**	**2021**	**Deviation**
Turnover (£ million)	47.7	36.1	+32%
Profit after tax (£ million)	21.1	12.1	+74%

The increase in turnover and profit after tax are predominantly due to higher power prices in 2022.

SAFETY AND SUSTAINABILITY (SSU)

Safety is paramount in the energy sector and therefore the "Company" has specific SSU KPIs including:

Total recorded injury frequency (TRIF)
Lost time incident frequency (LTI)
Serious incident frequency (SIF)
Reportable environmental incidents in year
Falling object frequency

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.

SSU risk

The nature of operations exposes the Company to safety and sustainability (SSU) risks. These risks relate to operation and maintenance activities offshore which involve 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 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 planning processes to ensure that Wind Turbine Generator (WTG) availability for production is maximised during periods of high mean wind speed. To further facilitate this, extensive experience is also gained from the operational of Equinor (the operator).

Legislative risk

There is a risk of adverse legislation changes against the Company impacting its ability to make returns on the investment made. UK Government support contributes significantly towards profitability. The 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 reinvestment costs, loss of revenue and impact the Company's ability to trade. To reduce this risk, the Company routinely carries out maintenance. In the event of such failure, the Company has insurance policies to cover loss from property damage and business interruptions.

Price risk

The Company sells power based on a recognised index (APX) and is exposed to price variations that occur within the index. In addition, as the value of the Renewable Obligation Certificate (ROC) Recycle fund is not published until several months after the end of the period to which it relates, the Company is therefore exposed to the risk that the fund value when published will be lower than anticipated.

STATEMENT OF HOW DIRECTORS HAVE COMPLIED WITH THEIR DUTY TO HAVE REGARD TO THE MATTERS IN SECTION 172(1) COMPANIES ACT 2006 'DUTY TO PROMOTE THE SUCCESS OF THE COMPANY'

The directors of Hywind (Scotland) Limited ("Hywind") comply with their duties under section 172 (1) Companies Act 2006 by overseeing the operations of the company and how the company's actions affect stakeholders.

Shareholders
Hywind is a venture jointly controlled by its shareholders, Equinor New Energy Limited, and Masdar Offshore Wind Scotland Limited.

The joint shareholders' strategy is for excess cash to be distributed as dividends whenever possible. Before dividend distributions are made or proposed, the board reviews management accounts and cash flow projections to consider the effect the distribution would have on the financial position of the Company including its ability to pay debts as they fall due.

Operations are managed by Equinor ASA group ("Equinor"). Hywind follows Equinor's processes and controls.

The Board of Directors
The Company's board consists of representatives of both joint shareholders. The board has 4 scheduled meetings each year. Each of these meetings contains both an SSU (safety and sustainability) update and a business update from the plant manager.

On an annual basis, KPIs, the annual business plan and budget are considered and approved.

The board is notified of any expenditure between £250k and £500k. Any expenditure over £500k requires board approval.

Workforce
Hywind does not have any employees. Its workforce consists of Equinor employees in addition to third party contractors.

Safety is paramount in the energy sector and Equinor's "I am safety" initiative is the foundation of its effort to enhance its safety culture and drive improvements in safety and security behaviour. The "I am safety" expectations represent fundamental traits of a strong safety culture. These expectations support and strengthen ongoing initiatives to continuously improve safety and security and contribute to a consistent way of working. These expectations are applicable to all Equinor employees and sub-contractors.

SSU incidents are brought to the attention of the board and strategies put in place to constantly improve safety behaviour.

STRATEGIC REPORT (CONTINUED)

Local Communities
Hywind follows the BEIS guidance on Community Benefits from Onshore Wind Developments.

During the lifetime of the operation of its offshore wind farm, Hywind supports various local STEM and other community projects.

Suppliers
Hywind is committed to using suppliers who operate consistently in accordance with its values, and who maintain high standards for SSU, ethics and corporate social responsibility.

By order of the Board of Directors

M Negrescu– Director
Date: 25/05/2023

1 Kingdom Street
London
W2 6BD

The directors present their report for the year ended 31 December 2022.

DIRECTORS' NAMES AND AUDIT DISCLOSURES

The directors who served the Company during the year and changes since 31 December 2021 are listed on page 1.

During the period under review, the shareholders as employers of the officers of the Company had in place indemnity provisions in favour of their respective directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

The directors who held office at the date of approval of this Directors' Report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

POLITICAL DONATIONS

No contributions were made to a political party during the year.

FINANCIAL INSTRUMENT RISKS

The Company's activities expose it to a variety of financial risks, such as foreign exchange, credit and liquidity risk.

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The foreign exchange risk is minimal as most of the company's transactions are in pound sterling. The Company does not use derivative instruments to manage its foreign exchange risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is potentially exposed to credit risk through trade and other receivables due. These balances are principally with related parties, which the directors believe limits the risk of non-payment.

Liquidity risk

Due to the revenues receivable from power generation at the wind farm, the Company is expected to remain cash-generative for the foreseeable future.

The Company manages its liquidity to ensure that it will be able to meet liabilities as they become due while maximising the return to shareholders.

FUTURE DEVELOPMENTS

Future developments are included in the business review in the strategic report.

RESEARCH AND DEVELOPMENT

As the world's first commercial floating wind farm research and development is ongoing in Hywind.

DIVIDENDS

Interim dividends of 11.86p per share were paid during the year (2021:9.41p per share).

STATEMENT SUMMARISING HOW DIRECTORS HAVE ENGAGED WITH STAKEHOLDERS

A statement summarising how directors have engaged with suppliers, customers and others in a business relationship is included within the Section 172 statement in the strategic report.

STREAMLINED ENERGY AND CARBON REPORTING

The table below shows the company's UK greenhouse gas (GHG) emissions and energy consumption for the year ended 31 December 2022 in line with the UK Government Streamlined Energy and Carbon reporting (SECR) requirements. The company produced a total of 446 tonnes of CO_2 equivalent (tCO_2e) in the year ended 31 December 2022.

Energy Consumed	**Unit**	**2022**	2021
Fuel used for heat	kWh	-	-
Fuel used for transport	kWh	**1,368,450**	1,384,480
Electricity (Owned buildings and energy imports)	kWh	**368,480**	808,890
Total Energy Consumed	kWh	**1,736,930**	2,193,370
GHG Emissions			
Summary Scope 1 (Direct) GHG emissions			
Fuel used for heat	tCO_2e	-	-
Fuel used for transport	tCO_2e	**376**	381
Total Scope 1 emissions	tCO_2e	**376**	381
Summary Scope 2 (Indirect) GHG emissions			
Electricity used in buildings and onshore assets	tCO_2e	-	-
Electricity used in offshore assets	tCO_2e	**70**	155
Total Scope 2 emissions	tCO_2e	**70**	155
Total Scope 1 and Scope 2 emissions	tCO_2e	**446**	536
Carbon intensity Ratio	grams of CO2e per kWh of production	**3.21**	4.38

Energy-Saving Measures

There are limited opportunities for energy-saving at the onshore premises and offshore turbines. However, support vessel sailing patterns are monitored to reduce energy use and emissions where possible.

By order of the Board of Directors

M Negrescu– Director
Date : 25/05/2023

1 Kingdom Street
London W2 6BD

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

The directors are responsible for preparing the Strategic Report, 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.

By order of the board

M Negrescu– Director
Date : 25/05/2023

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

Opinion

We have audited the financial statements of Hywind (Scotland) Limited (the 'company') for the year ended 31 December 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the Statement of Cash Flows as well as notes to the financial statements, 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 Financial Reporting Standard 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 state of the company's affairs as at 31 December 2022 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. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the crisis in Ukraine and the market price of energy, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in 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 the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
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 the directors' report.

Matters on which we are required to report by exception
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 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the industry in which they operate. We determined that the following laws and regulations were most significant: Companies Act 2006, Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements including those laws and regulations relating to taxation laws.
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management and of the Company's legal counsel. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
    - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
    - Challenging assumptions and judgements made by management in its significant accounting estimates; and
    - Identifying and testing journal entries, in particular manual journal entries to revenue.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the collective competence and capabilities of the engagement team included consideration of their:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training
  - knowledge of the industry in which the client operates
  - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
    - the provisions of the applicable legislation
    - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
    - the applicable statutory provisions
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Grant Thornton UK LLP

Robert Harris BA BFP ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

Date: 30/5/2023

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Note	**2022**	2021
		£'000	£'000
TURNOVER	5	**47,742**	36,078
COST OF SALES		**(19,320)**	(18,550)
GROSS PROFIT		**28,422**	17,528
Administrative expenses		**(556)**	(831)
OPERATING PROFIT	6	**27,866**	16,697
Interest receivable and similar income	7	**135**	-
Interest payable and similar charges	8	**(408)**	(262)
PROFIT BEFORE TAXATION		**27,593**	16,435
Tax on profit	9	**(6,505)**	(4,359)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		**21,088**	12,076

All operations are derived from continuing operations.

There are no other gains or losses in the period other than the profit for the period.

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 18 to 29.

BALANCE SHEET
at 31 December 2022

Registered number 08709450

	Notes	2022 £'000	2021 re-stated £'000
FIXED ASSETS			
Tangible assets	10	**220,570**	242,876
CURRENT ASSETS			
Debtors	11	**34,113**	34,129
Cash at bank and in hand		**3,922**	-
CREDITORS: amounts falling due within one year	12	**(1,715)**	(351)
NET CURRENT ASSETS		**36,320**	33,778
TOTAL ASSETS LESS CURRENT LIABILITIES		**256,890**	276,654
PROVISIONS	13	**(53,670)**	(59,222)
NET ASSETS		**203,220**	217,432
CAPITAL AND RESERVES			
Called up share capital	14	**148,775**	208,285
Profit and loss account		**54,445**	9,147
SHAREHOLDER`S FUNDS		**203,220**	217,432

The balance sheet is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 18 to 29.

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

.... M Negrescu – Director

Date: 25/05/2023

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share capital	Profit & loss Account	Total Shareholders' Funds
	£'000	£'000	£'000
At 31 December 2020	208,285	25,071	233,356
Profit for the year	-	12,076	12,076
Dividend distribution	-	(28,000)	(28,000)
At 31 December 2021	208,285	9,147	217,432
Reduction in share capital	(59,510)	59,510	-
Profit for the year	-	21,088	21,088
Dividend distribution	-	(35,300)	(35,300)
At 31 December 2022	**148,775**	**54,445**	**203,220**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 18 to 29.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	2022 £'000	2021 £'000
CASH FLOWS FROM OPERATING		
Profit for the year	**21,088**	12,076
Adjustments for:		
Depreciation	**14,046**	14,267
Interest payable and similar expenses	**408**	262
Interest receivable and similar income	**(135)**	-
Taxation	**6,505**	4,359
	41,912	30,964
Increase in trade and other debtors	**(2,790)**	(2,964)
Increase in trade and other creditors	**1,133**	11
	40,255	28,011
Dividends paid	**(35,300)**	(28,000)
Interest received	**135**	-
Interest paid	**(3)**	(1)
Tax paid	**(1,165)**	-
NET CASH FROM OPERATING ACTIVITIES	**3,922**	10
Net increase in cash and cash equivalents	**3,922**	10
Cash and cash equivalents at 1 January	-	(10)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**3,922**	-

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2022

1. CORPORATE INFORMATION

Hywind (Scotland) Limited (the "Company") is a limited company registered in England and Wales with registered number 08709450. The Company is incorporated and domiciled in the United Kingdom. The address of the Company's registered office is One Kingdom Street, London W2 6BD.

The Company is 75% owned by Equinor New Energy Limited and 25% owned by Masdar Offshore Wind Scotland Limited.

2. ACCOUNTING POLICIES

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 December 2017 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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

Going concern

Based on 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 the financial statements.

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

At an early stage of the COVID-19 crisis a full risk assessment was performed to identify 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 prioritization 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, with long term planning and robust mitigations a priority. Equinor remains committed to ensuring Safe and Efficient operations.

2. ACCOUNTING POLICIES (continued)

Going concern (continued)
Key scenarios that have were reviewed under the assessment:

Scenario 1 – Base case
Scenario 2 – Nil power price
Scenario 3 – 40% drop in revenue due to unplanned turbine maintenance

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 for at least twelve months from the date of their approval of the financial statements. Given the Company's strong liquidity position and the discretionary nature of dividend payments, the directors adopt the going concern basis in preparing the financial statements.

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 Danske Commodities AS, Renewable Obligation Certificates (ROCs), and Renewable Energy Guarantees of Origin (REGOs).

Revenue is recognised at the date of production. Any revenue which has been recognised but not yet invoiced is shown as accrued income on the balance sheet.

Research and development
Research expenditure is expensed 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.

Foreign currency translation
The functional currency for the Company is pounds sterling and is determined by the currency of the primary economic environment in which it operates. This is also the presentation currency of the Company.

Transactions denominated in foreign currencies are initially recorded in the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at the rate of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to the profit and loss account. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are not re-translated.

2. ACCOUNTING POLICIES (continued)

Finance income and costs
All borrowing costs are recognised within interest payable and similar charges in the profit and loss account in the period in which they are incurred. These costs include interest expense calculated using the effective interest method and finance charges in respect of finance leases.
Interest receivable and similar income is recognised in the profit and loss account using the effective interest method.

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 the tax expected to be payable or recoverable in respect of all timing differences between taxable profits and total comprehensive income at the reporting date. Deferred tax liabilities are generally recognised for all taxable timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

2. ACCOUNTING POLICIES (continued)

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 is calculated so as to write off the cost of an asset less its estimated residual value on a straight line basis over the useful economic life of the asset. Expected useful life is estimated based on experience, historical data and accounting judgments, and is adjusted in the event of any changes to such estimates. The evaluation of residual values is also subject to estimates.
Capitalised decommissioning costs and wind farm assets are depreciated on a straight line basis over their estimated useful economic lives of 20 years

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 of interest for a similar debt instrument.

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 of interest for a similar debt instrument.

Interest-bearing borrowings
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.

2. ACCOUNTING POLICIES (continued)

Decommissioning Provision

A decommissioning provision arises when the legal obligation to remove the wind farm installation arises. The amount recognised is the estimated future expenditure determined in accordance with local conditions and requirements, inflated up to the expected date of decommissioning, and discounted to the balance sheet date at a pre-tax rate reflecting the time value of money. A finance cost is recognised in the profit and loss account as the discount factor unwinds.
A corresponding tangible fixed asset is also created of an amount equal to the provision. This is subsequently depreciated on a straight line basis over 20 years in line with other wind farm assets. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Leases

Operating leases are expensed to the profit and loss account on a straight line basis over the term of the lease.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Tangible fixed assets

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

Decommissioning

The provision recognised regarding future decommissioning costs is the present value of expected future costs. The company makes judgements and estimates regarding the timing of the expenditure, the amount of expenditure, inflation rates, and the discount rate.
The value of the provision is also subject to potential changes in future technology.

Accrued income

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 to 31 December each year.

Deferred tax

Judgement is exercised in the recognition of a deferred tax asset, requiring future taxable profits to realise the asset.
Deferred tax assets and liabilities are recognised at the rates expected to apply to the reversal of the related differences. Any changes in tax rates prior to the reversal of the related differences will result in a change of estimate.

4. STAFF AND DIRECTORS' EMOLUMENTS

The Company had no employees during either year. Staff engaged in operation and administration of the Company during the financial year were employed by the Equinor group under a Services agreement.

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.

5. 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 the wider shareholder group in Europe (Danske Commodities AS).

TURNOVER BY ACTIVITY

	2022	2021
	£'000	£'000
Sales of power	24,859	10,861
Renewable certificates	22,840	25,188
Other income	43	29
	47,742	36,078

6. OPERATING PROFIT

The operating profit is stated after charging:

	2022	2021
	£'000	£'000
Auditor's remuneration - audit	40	37
Foreign exchange (gains)	(2)	-
Depreciation	14,046	14,267
Operating lease expense	1,154	1,155

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £'000	2021 £'000
Interest receivable from related parties	**134**	-
Bank interest receivable	**1**	-
	135	-

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £'000	2021 £'000
Bank and similar charges	**3**	1
Finance cost on unwinding of discount factor on non-current provisions	**405**	261
	408	262

9. TAX

	2022 £'000	2021 £'000
a) Tax on profit:		
Current tax:		
Current year movement	**1,406**	-
Total current tax	**1,406**	-
Deferred tax:		
Current year movement	**5,099**	4,160
Prior year adjustment	-	199
Total deferred tax	**5,099**	4,359
Total tax charge (note 9b)	**6,505**	4,359

9. TAX (CONTINUED)

b) Factors affecting current tax charge:

The tax assessed on the profit for the year is higher than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022	2021
	£'000	£'000
Profit before taxation	**27,593**	16,435
Profit multiplied by standard rate of Corporation tax in the UK of 19% (2021: 19%)	**5,243**	3,123
Permanent difference - depreciation on non-qualifying assets	**39**	39
Prior year adjustment – deferred tax	-	199
Corporation tax rate changes	**1,223**	998
Total tax charge	**6,505**	4,359

c) Deferred tax:

	2022	2021 re-stated
	£'000	£'000
Deferred tax is shown on the balance sheet within:		
Provisions falling due after more than one year	**(23,279)**	(20,976)
Debtors	**13,186**	15,982
	(10,093)	(4,994)

The breakdown of deferred tax on the balance sheet is:		
Accelerated capital allowances	**(23,279)**	(20,976)
Deferred tax on asset retirement obligation	**1,828**	1,524
Deferred tax on losses c/f at 31 December 2022	**11,358**	14,458
	(10,093)	(4,994)

d) Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted in May 2021. The impact on deferred tax of these changes was charged to the profit and loss account during 2021.

Deferred tax has been recognised at the rate of tax at which the underlying temporary differences are expected to reverse.

10. TANGIBLE FIXED ASSETS

	Capitalised decommissioning costs	**Wind farm assets**	**Total**
	£'000	**£'000**	**£'000**
COST			
At 1 January 2022	36,297	264,686	**300,983**
Movements due to change in assumptions	(8,260)	-	**(8,260)**
At 31 December 2022	**28,037**	**264,686**	**292,723**
DEPRECIATION			
At 1 January 2022	4,147	53,960	**58,107**
Charge for the year	811	13,235	**14,046**
At 31 December 2022	**4,958**	**67,195**	**72,153**
NET BOOK VALUE			
At 31 December 2022	**23,079**	**197,491**	**220,570**
At 31 December 2021	32,150	210,726	**242,876**

11. DEBTORS

	2022	2021 re-stated
	£'000	£'000
VAT recoverable	**41**	71
Trade debtors	-	7
Amounts owed by a related party	**3,599**	2,543
Related party accrued income	**17,287**	15,516
Corporation tax asset	-	10
Deferred tax asset	**13,186**	15,982
	34,113	34,129

12. CREDITORS: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	**422**	37
Related party creditors	**209**	186
Corporation tax	**231**	-
Accruals	**853**	128
	1,715	351

13. PROVISIONS

	Deferred tax liability £'000	Decommissioning provision £'000	Total provisions £'000
At 1 January 2022	4,994	38,246	**43,240**
Prior year re-statement	15,982	-	**15,982**
Movement in the year	2,303	-	**2,303**
Finance charge (note 8)	-	405	**405**
Change in assumptions	-	(8,260)	**(8,260)**
At 31 December 2022	**23,279**	**30,391**	**53,670**

The decommissioning provision is the present value of costs expected 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 15 years and therefore there is a risk that these cost estimates are not accurate. The costs are inflated up to the expected decommissioning date and then discounted back to present value at a pre-tax rate of 4.03% (2021:1.20%) that reflects current market assessments of the time value of money.

Prior year re-statement

In previous periods, deferred tax assets and liabilities were netted and presented as a single balance within provisions. However, due to the profiles of the balance and expected reversal periods it is considered more appropriate to split the balances between assets (shown in debtors) and liabilities (shown in provisions).

14. SHARE CAPITAL

Ordinary shares	Ordinary £'000
At 1 January 2022 – 297,550,000 ordinary shares of £0.70 each	**208,285**
Share capital reduction	**(59,510)**
At 31 December 2022 – 297,550,000 ordinary shares of £0.50	**148,775**

In October 2022, a special resolution was passed to reduce the Company's paid-up capital to the extent of £0.20 upon each of the 297,50,000 issued ordinary shares, thereby reducing the nominal value of each of the ordinary shares to £0.50.

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.

Called up share capital is the nominal value of shares in issue. The profit and loss account represents accumulated profits and losses less any dividends paid.

15. 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	
	2022 **£'000**	2021 £'000	**2022** **£'000**	2021 £'000	**2022** **£'000**	2021 £'000	**2022** **£'000**	2021 £'000
Equinor ASA	**481**	624	**36**	-	**3,591**	2,513	**74**	89
Danske Commodities AS	-	-	**47,706**	36,078	**17,295**	15,516	-	-
Equinor Energy AS	-	-	-	-	-	-	-	-
Equinor Energy Belgium NV	**2**	3	-	-	-	-	-	1
Equinor Production UK Limited	**13**	20	-	-	-	-	**1**	(1)
Equinor UK Limited	**858**	767	-	-	-	30	**119**	90
Dudgeon Offshore Wind Limited	**96**	93	-	-	-	-	**15**	7
	1,450	1,507	**47,742**	36,078	**20,886**	18,059	**209**	186

Equinor UK Limited, Equinor Energy AS, Danske Commodities AS, Equinor Energy Belgium NV and Equinor Production UK Limited 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.

16. CAPITAL AND OPERATION LEASE COMMITMENTS

Operating lease commitments

	2022	2021
	£'000	£'000
Lease payments under operating leases recognised in the period	**1,154**	1,155
Minimum value of lease repayments under non-cancellable operating leases:		
Within 1 year	**2,059**	1,114
Within 2-5 years inclusive	**3,874**	1,282
After 5 years	**1,484**	1,568
	7,417	3,964

At 31 December 2022, the Company had non-cancellable commitments of £nil (2021: £nil).

17. ULTIMATE CONTROLLING UNDERTAKING

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