Registered No. 08709450

Annual Report and Financial Statements

Hywind (Scotland) Limited

For the year ended 31 December 2020

CONTENTS

COMPANY INFORMATION

DIRECTORS

A Al Naqbi	(Appointed 23 January 2020)
S Bringsværd	
M A El Ramahi	
S Florenæs	(Resigned 1 June 2021)
M Negrescu	(Appointed 4 February 2020)
L R G Sorensen	(Appointed 1 June 2021)
S Trollnes	(Resigned 4 February 2020)

SECRETARY

Mitre Secretaries Limited	(Appointed 17 August 2020)
L Balbuckaite	(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 2020.

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 134 GWh (2019 : 141 GWh). This slight decrease in production, together with lower than expected power prices resulted in revenue being 20% lower than budget.

KEY PERFORMANCE INDICATORS
Financials

	Actual	**Budget**	**Deviation**
Revenue (£ million)	27.6	34.7	-20%
Net result after tax (£ million)	5.1	11.9	-57%

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

STRATEGIC REPORT (CONTINUED)

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 2020 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.

DocuSigned by:

Matei Negrescu

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M Negrescu
Director
30 June 2021

DIRECTORS' REPORT

The directors present their report with the financial statements of Hywind Offshore (Wind) Limited ("the Company") for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £5,134k (year ended 31 December 2019: £11,319k profit). Interim dividends of 9.75p per share were paid during the year (2019 : 11.26p per share).

GOING CONCERN

On the basis of current financial projections, the directors of the Company conclude that the Company has adequate resources to continue in operational existence for the going concern period from the date of approval of the financial statements to 30 June 2022. The directors have prepared projected cash flow information for this going concern period.

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.

The Company's going concern assumption is based on the outcome of modelled scenarios that show the Company's ability to withstand the ongoing market disruption arising from COVID-19 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 created uncertainty in relation to the timing of a return to normalised electricity demand levels and the ability to run operations at full efficiency with the potential loss of Key Personnel. In addition, the continuing limitations in travel, social distancing and the availability of materials may have a limited effect on the efficiency of operations.

The Company has modelled various scenarios to determine the impact of:

1. a potential reduction in market price, and
2. reduced production volumes as a result of an unplanned outage

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 period to 30 June 2022. Given the Company's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

The Company did not make any charitable donations in the year ended 31 December 2020 (2019: £273k). 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 2020 are listed on page 1. None of the directors at any time during the period ended 31 December 2020 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 2020 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.

AUDITOR
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board of Directors

DocuSigned by:
Matei Negrescu
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M Negrescu– Director

30 June 2021

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 (the 'company') for the year ended 31 December 2020 which comprise the Profit and Loss Account and other comprehensive income, the Balance Sheet, the Statement of changes in equity, the Statement of Cash Flows and the related notes 1 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 2020 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

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 till 30 June 2022 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this report, we do not express any form of assurance conclusion thereon.

Other information (continue)

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 course of 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 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.

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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), Companies Act 2006, Bribery Act 2010 and relevant tax compliance regulations in the jurisdiction in which the Company operates.
- We understood how the Company is complying with those frameworks by making enquiries of management and observing the oversight of those charged with governance. We corroborated our enquiries through the review of the following documentation:
    - all minutes of board meetings held during the period;
    - any relevant correspondence with local tax authorities;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by gaining an understanding of the entity level controls and policies that the Company applies. In doing so we focused on the revenue recognition risk associated with the sale of electricity through Power Purchase Agreement (PPA) and Renewable Obligation Certificates (ROCs) ensuring that management had appropriate controls in place to address this risk and that we designed and executed additional audit procedures to address this risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing of journal entries, with a focus on journals indicating large or unusual transactions or meeting our defined risk criteria based on our understanding of the business, enquiries of management and those charged with governance.

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.

DocuSigned by:
Jacqueline Geary
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Jacqueline Ann Geary (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 June 2021

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	**2020**	2019
		£'000	£'000
TURNOVER	3	**27,624**	33,606
COST OF SALES		**(20,003)**	(19,217)
GROSS PROFIT		**7,621**	14,389
Administrative expenses		**(836)**	(508)
Other operating income		**10**	-
Foreign exchange (losses) / gains		**(10)**	33
OPERATING PROFIT	4	**6,785**	13,914
Interest receivable and similar income	5	**10**	81
Interest payable and similar charges	6	**(534)**	(522)
PROFIT BEFORE TAXATION		**6,261**	13,473
Tax on profit	7	**(1,127)**	(2,154)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		**5,134**	11,319

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
at 31 December 2020

Registered number 08709450

	Notes	**2020 £'000**	2019 £'000
FIXED ASSETS			
Tangible assets	8	**243,945**	253,645
CURRENT ASSETS			
Debtors	9	**15,183**	23,542
Cash at bank and in hand		**-**	104
		15,183	23,646
CREDITORS: amounts falling due within one year	10	**(350)**	(269)
NET CURRENT ASSETS		**14,833**	23,377
TOTAL ASSETS LESS CURRENT LIABILITIES		**258,778**	277,022
PROVISIONS	11	**(25,422)**	(19,800)
NET ASSETS		**233,356**	257,222
CAPITAL AND RESERVES			
Called up share capital	12	**208,285**	208,285
Profit and loss account		**25,071**	48,937
SHAREHOLDER'S FUNDS		**233,356**	257,222

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:

DocuSigned by:
Matei Negrescu
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30 June 2021

STATEMENT OF CHANGES IN EQUITY

	Share capital	Profit & loss Account	Total Shareholders' Funds
	£'000	£'000	£'000
At 1 January 2019	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
Profit for the year	-	5,134	5,134
Dividend distribution	-	(29,000)	(29,000)
At 31 December 2020	**208,285**	**25,071**	**233,356**

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 14 to 23.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	2020 £'000	2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	5,134	11,319
Adjustments for:		
Depreciation	14,154	14,102
Interest payable and similar expenses	534	522
Interest receivable and similar income	(10)	(81)
Taxation	1,127	2,154
	20,939	28,016
Decrease in trade and other debtors	7,480	5,523
Increase / (decrease) in trade and other creditors	71	(372)
	28,490	33,167
Dividends paid	(29,000)	(33,500)
Interest received	10	81
Interest paid	(1)	(3)
Tax received	387	-
NET CASH FROM OPERATING ACTIVITIES	(114)	(255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of tangible fixed assets	-	(21)
Net increase in cash and cash equivalents	(114)	(276)
Cash and cash equivalents at 1 January	104	380
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	(10)	104

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.

The Company has taken the exemptions in Section 414C of the Companies Act 2006, not to disclose non-financial key performance indicators in the strategic report.

Measurement convention
The financial statements are prepared on the historical cost basis.

Going concern
On the basis of current financial projections, the directors of the Company conclude that the Company has adequate resources to continue in operational existence for the going concern period from the date of approval of the financial statements to 30 June 2022. The directors have prepared projected cash flow information for this going concern period.

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.

The Company's going concern assumption is based on the outcome of modelled scenarios that show the Company's ability to withstand the ongoing market disruption arising from COVID-19 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 created uncertainty in relation to the timing of a return to normalised electricity demand levels and the ability to run operations at full efficiency with the potential loss of Key Personnel. In addition, the continuing limitations in travel, social distancing and the availability of materials may have a limited effect on the efficiency of operations.

The Company has modelled various scenarios to determine the impact of:
1. a potential reduction in market price, and
2. reduced production volumes as a result of an unplanned outage

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 period to 30 June 2022. Given the Company's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

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
Capitalised decommissioning costs and owned 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.

1. 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, discounted to the balance sheet date at a pre-tax rate reflecting the time value of money and risks specific to the liability. 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.

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.

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.

Interest receivable and interest payable

Finance costs incurred from the unwinding of the discount factor on long term liabilities are charged to the profit and loss account.

All other interest payable or receivable is charged or credited to the profit and loss account as incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

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 2020 to 31 December 2020.

2. STAFF COSTS AND DIRECTORS' EMOLUMENTS

There were no staff costs for the period ended 31 December 2020 (2019: £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 (2019:£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

	2020	2019
	£'000	£'000
Sales of power	**4,055**	4,951
Renewable certificates	**23,484**	28,655
Other income	**85**	-
	27,624	33,606

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2020

4. OPERATING PROFIT

The operating profit is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration - audit	37	37
Foreign exchange losses / (gains)	10	(33)
Depreciation	14,154	14,102
Operating lease expense	1,303	766

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£'000	£'000
Interest receivable from related parties	10	80
Bank interest receivable	-	1
	10	81

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£'000	£'000
Interest payable to related parties	-	2
Bank and similar charges	1	1
Finance cost on unwinding of discount factor on non-current provisions	533	519
	534	522

7. TAX

	2020	2019
a) Tax on profit:	£'000	£'000
Current tax:		
Prior year adjustments	(387)	-
Total current tax	(387)	-
Deferred tax:		
Current year movement	1,166	2,325
Prior year adjustment	348	(171)
Total deferred tax	1,514	2,154
Total tax charge (note 7b)	1,127	2,154

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% (2019: 19%). The differences are reconciled below:

	2020	2019
	£'000	£'000
Profit before taxation	**6,261**	13,473
Profit multiplied by standard rate of Corporation tax in the UK of 19% (2019: 19%)	**1,190**	2,560
Permanent difference - depreciation on non-qualifying assets	**39**	38
Prior year adjustment – deferred tax	**348**	(171)
Prior year adjustment – current tax	**(387)**	-
Corporation tax rate changes	**(63)**	(273)
Total tax charge	**1,127**	2,154

c) Deferred tax:

	2020	2019
	£'000	£'000
Deferred tax is shown on the balance sheet within:		
Current debtors	**-**	879
Provisions falling due after more than one year	**(635)**	-
	(635)	879
The breakdown of deferred tax on the balance sheet is:		
Accelerated capital allowances	**(15,154)**	(11,574)
Deferred tax on asset retirement obligation	**912**	569
Deferred tax on losses c/f at 31 December 2020	**13,607**	11,884
	(635)	879

d) Factors that may affect future tax charges

Current year
The finance bill published on 19 March 2020 reversed the decision to cut corporation tax rates to 17% on 1 April 2020 and therefore deferred tax at 31 December 2020 has been recognised at 19%.

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted in May 2021. The effect of the change in the corporation tax rate to 25% would increase the deferred tax liability at 31 December 2020 by £200k to £835k.

Comparatives
A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted in September 2016. Deferred tax at 31 December 2019 has been recognised at a rate of 17%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2020

8. TANGIBLE FIXED ASSETS

	Capitalised decommissioning costs	Wind farm assets	Total
	£'000	**£'000**	**£'000**
COST			
At 1 January 2020	18,645	264,686	283,331
Additions due to change in assumptions	4,454	-	4,454
At 31 December 2020	**23,099**	**264,686**	**287,785**
DEPRECIATION			
At 1 January 2020	2,195	27,491	29,686
Charge for the year	920	13,234	14,154
At 31 December 2020	**3,115**	**40,725**	**43,840**
NET BOOK VALUE			
At 31 December 2020	**19,984**	**223,961**	**243,945**
At 31 December 2019	16,450	237,195	253,645

9. DEBTORS

	2020	2019
	£'000	£'000
VAT recoverable	**24**	8
Other debtors	**36**	36
Prepayments	**377**	95
Amounts owed by a related party	**1,187**	9,074
Related party accrued income	**13,549**	13,450
Corporation tax asset	**10**	-
Deferred tax asset	-	879
	15,183	23,542

10. CREDITORS: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	**144**	56
Related party creditors	**56**	121
Accruals	**140**	92
Bank overdraft	**10**	-
	350	269

11. PROVISIONS

	Deferred tax liability £'000	Decommissioning provision £'000
At 1 January 2020	(879)*	19,800
Movement in the year (see note 7)	1,514	-
Finance charge (see note 6)	-	533
Change in assumptions	-	4,454
At 31 December 2020	**635**	**24,787**

* Included in current assets in 2019

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 0.689% (2019: 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 2020 and at 31 December 2020 – 297,550,000 ordinary shares of £0.70 each	**208,285**

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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Equinor ASA	**511**	478	**36**	10,121	**781**	639	**41**	50
Danske Commodities AS	-	-	**27,564**	23,485	**13,944**	21,885	-	
Equinor Energy AS	-	-	**24**	-	-	-	-	-
Equinor Production UK Limited	**2**	1	-	-	-		-	
Equinor UK Limited	**803**	782	-	-	**11**	-	**14**	55
Dudgeon Offshore Wind Limited	**126**	118	-	-	-	-	**1**	16
	1,442	1,379	**27,624**	33,606	**14,736**	22,524	**56**	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 2020	31 December 2019
	£'000	£'000
Lease payments under operating leases recognised in the period	**1,303**	766
Minimum value of lease repayments under non-cancellable operating leases:		
Within 1 year	**1,110**	1,110
Within 2-5 years inclusive	**2,322**	2,322
After 5 years	**1,492**	1,543
	4,924	4,975

At 31 December 2020, the Company had non-cancellable commitments of £nil (2019: £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.