Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Annual report and financial statements

For the period 24 August 2017 to 31 March 2018

Registered No.: 10931009

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

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Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Directors and Other Information

Directors	H. Brustad (appointed 24 August 2017) S. Bull (appointed 24 August 2017) H. Eliassen (appointed 1 May 2018) D. McSweeney (appointed 22 June 2018) I. Morgan (appointed 23 October 2018) J. Smith (appointed 26 September 2018) T. Bokn (appointed 24 August 2017, resigned 1 May 2018) P. Cooley (appointed 24 August 2017, resigned 26 September 2018) R. Escott (appointed 24 August 2017, resigned 22 June 2018) A. Honeyman (appointed 24 August 2017, resigned 24 January 2018) B. McFarlane (appointed 24 January 2018, resigned 23 October 2018)
Secretary	D. Virdee (appointed 16 March 2018) P. Till (appointed 24 August 2017, resigned 16 March 2018)
Registered office	No.1 Forbury Place 43 Forbury Road Reading United Kingdom RG1 3JH
Auditor	KPMG LLP Chartered Accountants 319 St Vincent Street Glasgow G2 5AS
Registered number	10931009

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Strategic Report

The directors submit their report and audited financial statements for the period 24 August 2017 (date of incorporation) to 31 March 2018.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of Doggerbank Offshore Wind Farm Project 3 Holdco Limited (the "Company") together with its subsidiary Doggerbank Offshore Wind Farm Project 3 Projco Limited (the "Group") during the period to 31 March 2018, as well as those matters which are likely to affect its future development and performance.

1 Principal activities

The principal activity for the Group is the development, construction and future operations of a 1,200MW offshore windfarm in the North Sea, off the east coast of England.

A restructure of the Forewind consortium in March and August 2017 resulted in a change of the ownership structure of the Group. Three projects, Creyke Beck A, Creyke Beck B and Teeside A are now to be delivered by a two way 50:50 JV between SSE and Equinor, with Doggerbank Offshore Wind Farm Project 3 Projco Limited taking forward the Teeside A project.

As at 31 March 2018, the Company owns 100% of the issued ordinary Share Capital in Doggerbank Offshore Wind Farm Project 3 Projco Limited. Of the issued ordinary Share Capital held in the Company, 50% is held by SSE Renewables Offshore Windfarm Holdings Limited and 50% is held by Equinor New Energy Limited. This ownership structure has been in effect since 31 August 2017.

2 Business review

The Income Statement for the period ended 31 March 2018 is set out on page 8. The loss for the period for the Group was £0.5m. The Balance Sheet at 31 March 2018 is set out on page 9 and indicates net assets for the Group of £2.7m.

Business performance overview

In August 2017, as part of the restructuring, the Group acquired subsidiaries from each of the shareholders. Those subsidiaries had been jointly bearing the development costs in relation to the Teeside A project. As part of the restructuring, each subsidiary recharged its share of the development costs up to the Group at a value equal to histroic cost by way of intercompany recharge. There was subsequently an agreement to allocate these recharges as a shareholder loan between the Group and SSE and Equinor.

The focus of the Group is currently carrying out early development works such as geographical investigation surveys.

3 Key performance indicators

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the Group is performing.

	2018 £m
Financial	
Intangible assets	26.0
Net assets	2.7

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Strategic Report *(continued)*

4 Principal risks and uncertainties

The principal risks facing the Group in the short to medium term are cost overruns, awarding of consents and technology risks. To mitigate against these risks, management within the Group have:

- Implemented review and reporting processes to measure both spend and development progress on all main contracts against budget and forecast;
- Jointly appointed SSE and Equinor to operate the Group, to ensure all areas of expertise are fully utilised, employing experienced personnel to monitor and mitigate such risks;
- Regularly carried out project workshops between both parties to ensure that risks are recorded in Equinor's risk management system; and
- Established a working alliance with key contractors and suppliers that have been integrated into the project team with a view to enhancing value and efficiencies in project delivery.

The Group is aware of the political uncertainty which remains following the referendum held on 23 June 2016 where the UK voted to leave the European Union. This is being closely monitored by the Group but is not considered to have a significant impact on the accounts for the year ending 31 March 2019.

On behalf of the board

J. Smith
Director
19 December 2018

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Directors' Report

The directors present their report together with the audited financial statements for the period ended 31 March 2018.

Reporting requirements on the Group's principal activities and future developments, its principal risks and uncertainties and its key performance indicators can be found in the Strategic Report on page 2.

1 Proposed dividend

The directors do not recommend the payment of a dividend.

2 Directors

The directors and secretary who served during the period are as listed on page 1. In accordance with the Articles of Association of the Group the directors are not required to retire by rotation.

3 Political and charitable donations

The Group did not make any political or charitable donations during the period.

4 Post balance sheet events

There have been no significant events since the balance sheet date.

5 Future developments

The Group is currently developing a 1,200MW windfarm.

6 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 Group'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 Group's auditor is aware of that information.

7 Going concern

The Company has net current liabilities and is dependent on financial support provided by its joint venture parent companies, SSE plc and Equinor ASA. SSE plc and Equinor ASA have given a formal undertaking not to withdraw this support for a period of at least twelve months following the approval of these financial statements. Given this formal undertaking to support the company, the directors have considered it appropriate to prepare these financial statements on a going concern basis.

8 Auditor

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

On behalf of the Board:

J. Smith
Director
19 December 2018

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and company 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 they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 parent company and enable them to ensure that its 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.

On behalf of the Board:

J. Smith
Director
19 December 2018

Independent Auditor's Report to the Members of Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Opinion

We have audited the financial statements of Doggerbank Offshore Wind Farm Project 3 Holdco Limited ("the company") for the period ended 31 March 2018 which comprise the income statement, balance sheet, statement of changes in equity, cash flow statements and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at http://www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Gord Herbert

Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

21 December 2015

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Consolidated Income Statement
for the period ended 31 March 2018

	Note	Group 2018 £m
Operating expenses	2	-
Operating loss		-
Finance expenses	4	(0.5)
Loss before taxation		(0.5)
Taxation	5	-
Loss for the financial period		(0.5)

The above results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes.

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Consolidated and Company Balance Sheet
as at 31 March 2018

	Note	Group 2018 £m	Company 2018 £m
Non-current assets			
Intangible assets	8	26.0	-
		26.0	-
Total assets		26.0	-
Current liabilities			
Trade and other payables	9	(0.3)	-
Non-current liabilities			
Loans and other borrowings	10	(23.0)	-
Total liabilities		(23.3)	-
Net assets		2.7	-
Equity			
Share capital	11	-	-
Capital contribution	12	3.2	-
Retained earnings		(0.5)	-
Total Equity		2.7	-

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Directors on 19 December 2018 and signed on their behalf by:

J. Smith
Director
19 December 2018

Company registered number: 10931009

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Consolidated and Company Statements of changes in equity for the period ended 31 March 2018

Group

	Share Capital £m	Retained Earnings £m	Capital contribution £m	Total Equity £m
Opening balance	-	-	-	-
Capital contribution	-	-	3.2	3.2
Loss for the financial period	-	(0.5)	-	(0.5)
Balance as at 31 March 2018	-	(0.5)	3.2	2.7

Company

	Share Capital £m	Retained Earnings £m	Capital contribution £m	Total Equity £m
Opening balance	-	-	-	-
Loss for the financial period	-	-	-	-
Balance as at 31 March 2018	-	-	-	-

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Consolidated and Company Cash flow statements for the period ended 31 March 2018

	Note	Group 2018 £m	Company 2018 £m
Cash flows from operating activities			
Loss for the period		(0.5)	-
Adjustments for:			
Increase in payables		0.3	-
Net cash outflow from operating activities		(0.2)	-
Cash flow from investing activities			
Purchase of intangible assets	8	(26.0)	-
Net cash flow from investing activities		(26.0)	-
Cash flow from financing activities	10		
New borrowings		26.2	-
Net cash flow from financing activities		26.2	-
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		-	-
Net cash at start of the period		-	-
Net cash at end of the period		-	-

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Notes on the Financial statements
for the period ended 31 March 2018

1 Significant accounting policies

Doggerbank Offshore Wind Farm Project 3 Holdco Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 10931009 and the registered address is No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group and Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

In preparing these financial statements, the Group and Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but has made amendments, where necessary, in order to comply with the Companies Act 2006.

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

Basis of consolidation

The consolidated financial statements comprise those of the Company and its wholly owned subsidiary Doggerbank Offshore Wind Farm Project 3 Projco Limited (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about the Group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes.

Subsidiaries are those entities controlled by the Group or Company. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity in order to obtain variable returns from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries acquired are consolidated in the financial statements of the Group from the date that control commences until the date control ceases.

Measurement convention

The financial statements have been prepared on the going concern basis, under the historical cost convention, other than derivative financial instruments which are stated at fair value.

Debt and debt finance costs

Debt is stated at the fair value of the proceeds. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable profits from which future reversals of the underlying temporary differences can be deducted.

1 Significant accounting policies *(continued)*

Intangible assets

Intangible assets comprise assets under development and are stated at cost, net of any provisions for impairment. Development costs relate to the design, construction, and testing of wind farm sites, expected to generate future economic benefits. Capitalised costs include planning application costs, environmental impact studies and other costs incurred in bringing the wind farm development project to the consented stage. At the point the development reaches the consent stage and is approved for construction, the carrying value will be transferred to Property, Plant and Equipment. The Group reviews the intangible assets for signs of impairment at each balance sheet date.

Finance income and expense

Interest income is recognised as income in the period in which it is earned. Interest expense is recognised as an expense in the period in which it is incurred. Interest receivable represents funds received on money invested and is recognised in the profit or loss in the period to which it relates. On completion of the construction of the plant the interest incurred on borrowings is charged to the income statement in the period in which it accrues.

Going Concern

The Company has net current liabilities and is dependent on financial support provided by its joint venture parent companies, SSE plc and Equinor ASA. SSE plc and Equinor ASA have given a formal undertaking not to withdraw this support for a period of at least twelve months following the approval of these financial statements. Given this formal undertaking to support the company, the directors have considered it appropriate to prepare these financial statements on a going concern basis.

Accounting estimates and judgements

The Company has no significant areas of estimation or judgement.

Foreign currency

The financial statements are presented in pounds sterling, which is the functional currency of the Group and Company.

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date or, where appropriate, the rates of exchange in related forward exchange contracts.

Gains and losses arising from changes in exchange rates subsequent to the dates of transactions are included in the income statement.

Non- derivative financial instruments

i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

ii) Trade and other receivables

Receivables do not carry any interest and are measured at cost (less an appropriate allowance for irrecoverable balances).

iii) Trade and other payables

Trade and other payables do not carry any interest and are measured at cost.

iv) Interest-bearing loans and borrowings

All such loans and borrowings are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost, except where the loan or borrowing is the hedged item in an effective fair value hedge relationship.

Doggerbank Offshore Wind Farm Project 3 Holdco Limited

Notes on the Financial statements *(continued)*
for the period ended 31 March 2018

1 Significant accounting policies *(continued)*

Share capital

Ordinary shares are accounted for as equity. Costs associated with the issue of new shares are deducted from the proceeds of issue.

2 Expenses and auditor's remuneration

	Group 2018 £000
Audit of these financial statements	6

The fee for the audit of the Group was borne by Doggerbank Offshore Wind Farm Project 3 Projco Limited.

3 Directors' remuneration

The directors did not receive any remuneration from the Group or Company in the period.

4 Finance expenses

	Group 2018 £m
Unwinding of discount on shareholder loan not at market rate	0.5
	0.5

5 Taxation

	Group 2018 £m
Loss before tax	(0.5)
Tax (Credit) on (Loss) at standard UK corporation tax rate of 19%	(0.1)
Effects of:	
Expenses not deductible for tax purposes	0.1
Tax charge for the period	-

6 Investments

Investment	Proportion held 2018
Direct investments:	
Doggerbank Offshore Wind Farm Project 3 Projco Limited*	100%
Indirect investments:	
Doggerbank Project 2A SSER Limited*	100%
Doggerbank Project 2B SSER Limited*	100%
Doggerbank Project 2C SSER Limited*	100%
Doggerbank Project 2A Statoil Limited**	100%
Doggerbank Project 2B Statoil Limited**	100%
Doggerbank Project 2C Statoil Limited**	100%

Registered Office

* No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH

** One Kingdom Street, London, W2 6BD

7 Acquisitions

On 31 August 2017, the Group acquired six subsidiaries as detailed below. These subsidiaries had been jointly bearing the development costs of the Teeside A project, which they then recharged to the Group via intercompany charge. As a result, ownership of the subsidiaries shifted such that instead of these companies owning the Group, the Group now owned them. The investments in these subsidiaries are held at £nil. The intention is to strike off these subsidiaries in the year ending 31 March 2019.

Immediately prior to 31 August 2017, the share capital in Doggerbank Offshore Wind Farm Project 3 Projco Limited was held by the following companies:

Company	Ordinary Shares held in Doggerbank Offshore Wind Farm Project 3 Projco Limited
Doggerbank Project 2A SSER Limited	25%
Doggerbank Project 2B SSER Limited	12.5%
Doggerbank Project 2C SSER Limited	12.5%
Doggerbank Project 2A Statoil Limited	25%
Doggerbank Project 2B Statoil Limited	12.5%
Doggerbank Project 2C Statoil Limited	12.5%

Immediately prior to 31 August 2017, the share capital in the Group's six subsidiaries was held as follows:

Company	100% of ordinary shares held by
Doggerbank Project 2A SSER Limited	SSE Renewables Developments (UK) Limited
Doggerbank Project 2B SSER Limited	SSE Renewables Developments (UK) Limited
Doggerbank Project 2C SSER Limited	SSE Renewables Developments (UK) Limited
Doggerbank Project 2A Statoil Limited	Equinor New Energy Limited
Doggerbank Project 2B Statoil Limited	Equinor New Energy Limited
Doggerbank Project 2C Statoil Limited	Equinor New Energy Limited

Of the issued ordinary Share Capital held in the Company, 50% is held by SSE Renewables Offshore Windfarm Holdings Limited and 50% is held by Equinor New Energy Limited. This ownership structure has been in place since 31 August 2017.

8 Intangible assets

	Group Assets under development £m
Cost:	
Additions	26.0
At 31 March 2018	26.0
Net book value:	
At 31 March 2018	26.0

9 Trade and other payables: current

	Group 2018 £m	Company 2018 £m
Other accrued expenses	0.3	-
	0.3	-

10 Interest bearing loans and borrowings

	Group 2018 £m	Company 2018 £m
Non-current liabilities		
Loans and borrowings due to related parties	23.0	-
	23.0	-

	Group 2018 £m	Company 2018 £m
Payables: falling due more than two years		
Shareholder Loan - SSE	11.5	-
Shareholder Loan - Equinor	11.5	-
Total	23.0	-

The shareholder loans have been provided by SSE Renewables Offshore Windfarm Holdings Limited and Equinor New Energy Limited and bear no interest, as they are considered to be early stage funding and quasi-equity in nature. This has been shown at fair value with a discount rate of 4.5% applied against the total value of the loan, being £25.6m. The difference includes a capital contribution of £3.2m (note 12) and interest of £0.5m (note 4).

10 Interest bearing loans and borrowings *(continued)*

	Group Loans and borrowings 2018 £m
Changes from financing cash flows	
Proceeds from loans and borrowings	26.2
Total changes from financing cash flows	26.2
Changes in fair value	(3.2)
	(3.2)
Balance as at 31 March 2018	23.0

11 Capital and reserves

	2018 £
Equity:	
Allotted, called up and fully paid:	
8 ordinary shares of £1.00 each	8
	8

12 Capital contribution

The capital contribution of £3.2m represents the difference between the initial fair value of the shareholder loans in the Group and its face value.

13 Financial instruments

(i) Risk

Liquidity risk

Liquidity risk derives from the risk the Group will not be able to meet its financial obligations as they become due. The ultimate parent companies can be exposed to significant movement in their liquidity positions due to macroeconomic factors, regulatory factors, changes in commodity prices and working capital requirements. Expenditure and cash outflows are subject to internal approval procedures to ensure that these do not exceed planned expenditure.

The following are the contractual cash flows of interest bearing loans and borrowings:

	Group		
	2018 Carrying amount £m	2018 Contractual cash flows £m	2018 1 to < 2 years £m
Non-derivative financial liabilities			
Loans and borrowings	(23.0)	(25.6)	(25.6)
Total financial liabilities	(23.0)	(25.6)	(25.6)

13 Financial instruments *(continued)*

(ii) Fair values

The fair values of the Group's financial assets and liabilities, and the carrying amounts in the balance sheets are analysed below. Balances included in the analysis of primary financial assets and liabilities include loans and borrowings, trade and other receivables and trade and other payables, all of which are disclosed separately.

Summary fair values

The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	Group 2018 Carrying Value £m	2018 Fair Value £m
Financial liabilities		
Trade and other payables	0.3	0.3
Loans and other borrowings	23.0	23.0

Fair values have been determined with reference to closing market prices.

Unless otherwise stated, carrying value approximates fair value.

14. Related party transactions

	Group Transfer of loans 2018 £m
Doggerbank Project 2A SSER Limited	8.4
Doggerbank Project 2B SSER Limited	2.2
Doggerbank Project 2C SSER Limited	2.2
Doggerbank Project 2A Statoil Limited	8.4
Doggerbank Project 2B Statoil Limited	2.2
Doggerbank Project 2C Statoil Limited	2.2
	25.6

On 31 August 2017, the Company wholly acquired six subsidiaries as detailed above. These subsidiaries had the development costs in the Teeside A project recharged to the Group via intercompany charge. There was subsequently an agreement to allocate these recharges as a shareholder loan between the Group and SSE and Equinor.

In line with an agreement entered into by all of the Company's shareholders, no recharges have been made by the shareholders to the Company in relation to directors remuneration.