Directors' Report and Financial Statements

Dudgeon Offshore Wind Limited

For the year ended 31 December 2018

CONTENTS

REGISTERED NO. 4418909

DIRECTORS

B Al Lamki	
M J Al Ramahi	
Y Ding	(Appointed 7 March 2018)
B Drangsholt	(Resigned 7 March 2018)
F Fassio	
S Flørenæs	(Appointed 1 February 2019)
D J Flood	(Resigned 7 March 2018)
M Meyer	(Resigned 7 March 2018)
B Myking	(Resigned 1 February 2019)
P Qi	(Appointed 7 March 2018)
R Rønvik	
T I Ulla	
T T Zhang	(Appointed 22 February 2019)
Z Zhang	(Appointed 7 March 2018; resigned 22 February 2019)

SECRETARY

L Balbuckaite	(Appointed 1 February 2019)
B H Berge	(Resigned 1 February 2019)

AUDITOR
KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED OFFICE
1 Kingdom Street
London
W26 BD

The directors of Dudgeon Offshore Wind Limited (Dudgeon) present their strategic report for the Company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

Dudgeon has had a very successful first full year of operations, with annual generation of 1,579.9 GWh.

Generation in 2018 Q1 was above expectations due to both high winds and good turbine availability. During the summer months, wind speeds were significantly below budget which adversely affected production. This was partially offset by good turbine availability.
During the year Dudgeon had issues with the inter-array cables which reduced turbine availability at the end of the year.

Following the completion of construction, the Company had a legal obligation to sell the transmission assets at cost to the Offshore Transmission Owner (OFTO). On 6 November 2018 an agreement was signed to sell the OFTO assets. The sale completed on 13 November for £297.9M.

During the year, as part of an extensive refinancing project, Dudgeon was successful in achieving an A-rating from Fitch. The refinancing was completed in December following the issue of loans and bonds (see note 11) and a dividend distribution of £264M.

KEY PERFORMANCE INDICATORS

Asset Performance

	Actual	**Budget**	**Deviation**
Generation (settlement basis, GWh)	1,579.9	1,683.9	-6%
Availability (PBA)	94.3%	92.5%	+2%

Financials

	Actual	**Budget**	**Deviation**
Revenue (£ million)	248.8	268.3	-7%
Net result after tax (£ million)	99.4	105.2	-6%

FUTURE DEVELOPMENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

HSSE risk

The nature of operations exposes the company to health, safety, security and environmental (HSSE) risks. For 2018 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.

Legislative risk

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

Asset failure risk

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

S Flørenæs
Director
26 June 2019

The directors present their report with the financial statements of Dudgeon Offshore Wind Limited ("the Company") for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £98,498k (year ended 31 December 2017: £48,313k profit).
An interim dividend was paid during the year of £1.40 per share (2017 : £nil).
The dividend paid was based on interim accounts which showed there were sufficient profits available for distribution at the time the dividend was paid.

GOING CONCERN

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

As at 31 December 2018, the company had net liabilities. This position arose following the dividend distribution in December 2018 which was based on interim accounts. The company continues to be profitable in 2019, returning to a net asset position in January 2019.

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

UK charitable donations in the year ended 31 December 2018 amounted to £1k (2017: £217k). 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 2018 are listed on page 1. None of the directors at any time during the period ended 31 December 2018 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 2018 had any material interest in any contracts with the Company.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITORS

During 2019, the board will consider whether to recommend the appointment of a new auditor or whether to reappoint KPMG LLP.

By order of the Board of Directors

S Flørenæs – Director

26 June 2019

I Kingdom Street
London
W2 6BD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTOR'S 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUDGEON OFFSHORE WIND LIMITED

Opinion

We have audited the financial statements of Dudgeon Offshore Wind Limited ("the company") for the year ended 31 December 2018, which comprise the Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity 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 company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; 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 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 company or to cease operations, or have no realistic alternative but to do so.

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 *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.

J. Lowes

Juliette Lowes
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
26 June 2019

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
TURNOVER	3	**248,797**	128,150
COST OF SALES		**(78,169)**	(49,927)
GROSS PROFIT		**170,628**	78,223
Administrative expenses		**(10,059)**	(10,152)
Foreign exchange (losses)/gains		**(3,358)**	13,304
OPERATING PROFIT	4	**157,211**	81,375
Interest receivable and similar income	5a	**298**	2,691
Interest payable and similar charges	5b	**(53,424)**	(24,551)
Fair value movement on financial instruments		**13,113**	(8,549)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**117,198**	50,966
Taxation	6	**(18,700)**	(2,653)
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		**98,498**	48,313

All operations are derived from continuing operations in both the current and preceding year.

There are no other gains or losses in the current or preceding year other than the profit for the years.

Notes on pages 13 to 26 form part of these financial statements.

BALANCE SHEET
at 31 December 2018

Registered number 4418909

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Tangible assets	*7*	**1,289,123**	1,279,078
CURRENT ASSETS			
Debtors	*8*	**419,237**	45,296
Cash at bank and in hand		**22,845**	145,325
		442,082	190,621
CREDITORS: amounts falling due within one year	*9*	**(80,606)**	(130,616)
NET CURRENT ASSETS		**361,476**	60,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,650,599**	1,339,083
CREDITORS: amounts falling due after more than one year	*11*	**(1,262,987)**	(1,080,602)
PROVISIONS	*12*	**(387,783)**	(93,124)
NET (LIABILITIES) / ASSETS		**(171)**	165,357
CAPITAL AND RESERVES			
Called up share capital	*13*	**-**	188,300
Profit and loss account		**(171)**	(22,943)
SHAREHOLDERS' (DEFICIT) / FUNDS		**(171)**	165,357

Notes on pages 13 to 26 form part of these financial statements.
Approved by the Board of Directors and signed on their behalf by:

.... S Flørenæs - Director

26 June 2019

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

Registered number 4418909

	Share capital	Profit & loss Account	Total Shareholder's Funds
	£'000	£'000	£'000
At 1 January 2017	188,300	(71,256)	117,044
Profit for the year	-	48,313	48,313
At 31 December 2017	**188,300**	**(22,943)**	**165,357**
At 1 January 2018	188,300	(22,943)	165,357
Reduction in share capital	(188,300)	188,300	-
Profit for the year	-	98,498	98,498
Dividend distribution	-	(264,026)	(264,026)
At 31 December 2018	-	**(171)**	**(171)**

Notes on pages 13 to 26 form part of these financial statements.

1. ACCOUNTING POLICIES

Dudgeon Offshore Wind Limited is a company limited by shares and incorporated and domiciled in England and Wales, registration number 4418909. 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's parent undertaking, Dudgeon Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Dudgeon Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from 1 Kingdom Street, London, W2 6BD. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

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.

Research and development
Research expenditure is written off as incurred.

Interest payable / receivable and similar charges / income

Upfront loan facility fees are capitalised and released to the profit and loss account over the term of the loan.

Loan commitment fees are charged to the profit and loss account when 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 year 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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 difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

Leasing
Assets held under finance leases are capitalised in the balance sheet and are depreciated over the primary lease term. The corresponding lease commitment is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of capital payments outstanding.

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

1. ACCOUNTING POLICIES (CONTINUED)

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 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other financial instruments

Derivatives

Interest rate swaps are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value at each reporting date. Changes in the fair value of derivatives are recognised in the profit and loss account.

1. ACCOUNTING POLICIES (CONTINUED)

Tangible Fixed Assets

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.

During the construction phase of the wind farm, all loan interest, whether on parent company or third party loans was considered to be directly attributable to the construction of the wind farm and was therefore capitalised.

Interest payable and receivable on rate swaps is considered to be part of the Company's borrowing cost and was therefore capitalised in the same way as loan interest.

Leased assets are initially recorded at the present value of lease payments. The asset is subsequently depreciated over its remaining useful economic life.

Depreciation
All windfarm assets are depreciated on a straight line basis over their estimated useful economic lives of 27 years starting the month after they commence full production.

Going concern

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

As at 31 December 2018, the company had net liabilities. This position arose following the dividend distribution in December 2018 which was based on interim accounts. The company continues to be profitable in 2019, returning to a net asset position in January 2019.

Asset Retirement Obligation

A decommissioning provision arises when the legal obligation to remove the wind farm installation arises. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset is also created of an amount equal to the provision. This is subsequently depreciated on a straight line basis over 27 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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

This is derived from the sale of electricity under a power purchase agreement (PPA) with Equinor ASA and Statkraft Markets GmbH and from a contract for difference (CFD) contract with Low Carbon Contract Company (LCCC). Under this contract, Dudgeon Offshore Wind Limited is guaranteed a pre-agreed price for electricity generated under the scheme for a period of 15 years.

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.

2. STAFF COSTS

There were no staff costs for the years ended 31 December 2018 and 31 December 2017.

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

3. TURNOVER

Turnover is in relation to income from the generation of wind-powered electricity, and is stated net of VAT.

TURNOVER BY ACTIVITY

	2018	2017
	£'000	£'000
Sale of electricity under PPA	**77,176**	35,906
Income from CFD	**171,621**	92,244
	248,797	128,150

TURNOVER BY GEOGRAPHICAL REGION

	2018	2017
	£'000	£'000
Rest of Europe	**77,176**	35,906
United Kingdom	**171,621**	92,244
	248,797	128,150

4. OPERATING PROFIT

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

	2018	2017
	£'000	£'000
Auditor's remuneration - audit	**50**	21
Foreign exchange losses / (gains)	**3,358**	(13,304)
Depreciation	**48,562**	24,851

5a. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £'000	2017 £'000
Interest receivable from group companies	298	-
Bank interest receivable	-	27
Interest receivable on derivative contracts with third parties	-	1,865
Interest receivable on derivative contracts with related parties	-	799
	298	2,691

5b. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £'000	2017 £'000
Bank and similar charges	148	28
Interest payable on overdue payments	-	1
Amortisation of facility fees	16,986	1,653
Interest on long term loans	26,878	15,204
Interest on derivatives	6,318	6,090
Finance cost on unwinding of discount factor on long term liabilities	3,094	1,575
	53,424	24,551

6. TAX

a) Tax on profit / (loss) on ordinary activities:

	2018 £'000	2017 £'000
Current tax:		
Corporation tax on profit for the period at 19% (2017: 19.25%)	8,723	-
Capital gains tax	4,109	-
Prior year adjustment	(230)	(1,272)
Total current tax	12,602	(1,272)
Deferred tax:		
Current year movement	10,329	10,586
Recognition of prior year deferred tax	(4,231)	(6,661)
Total deferred tax	6,098	3,925
Total tax charge (note 6b)	18,700	2,653

6. TAX (CONTINUED)

b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018	2017
	£'000	£'000
Profit on ordinary activities before taxation	**117,198**	50,966
Profit/(Loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2017: 19.25%)	**22,268**	9,811
Pre-trading expenses	-	191
Disallowable decommissioning costs	**1,087**	628
Disallowable interest	-	940
Corporation tax rate changes	**(165)**	(984)
Other permanent difference	**(29)**	-
Recognition of prior year deferred tax	**(4,231)**	(6,661)
Prior year adjustment to current tax	**(230)**	(1,272)
Total tax charge	**18,700**	2,653

c) Deferred tax:

	2018	2017
	£'000	£'000
Deferred tax is shown on the balance sheet within:		
Current debtors	**3,844**	4,306
Creditors : amounts falling due after more than one year	**(13,867)**	(8,231)
	(10,023)	(3,925)

The breakdown of deferred tax on the balance sheet is:		
Accelerated capital allowances	**(12,877)**	(1,076)
Capitalised interest	**(7,194)**	(2,849)
Tax losses	**3,856**	-
Other	**6,192**	-
	(10,023)	(3,925)

d) Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020 was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Deferred tax has been recognised at a rate of 17% for fixed assets and 19% for deferred tax on losses brought forward. The deferred tax on capitalised interest and the deferred gain on the OFTO are recognised at a blended rate determined by the timing of the reversal of the temporary difference.

7. TANGIBLE FIXED ASSETS

	Capitalised decommissioning costs	Leased transmission assets	Wind farm assets	Total
	£'000	**£'000**	**£'000**	**£'000**
COST				
At 1 January 2018	91,549	-	1,212,380	1,303,929
Additions	-	297,927	4,518	302,445
Disposals	-	-	(249,854)	(249,854)
Reduction due to change in discount factor	(6,360)	-	-	(6,360)
At 31 December 2018	**85,189**	**297,927**	**967,044**	**1,350,160**
DEPRECIATION				
At 1 January 2018	1,690	-	23,161	24,851
Charge in year	3,334	1,839	43,389	48,562
Disposals	-	-	(12,376)	(12,376)
At 31 December 2018	**5,024**	**1,839**	**54,174**	**61,037**
NET BOOK VALUE				
At 31 December 2018	**80,165**	**296,088**	**912,870**	**1,289,123**
At 31 December 2017	89,859	-	1,189,219	1,279,078

Following the completion of construction, the company had a legal obligation to sell the transmission assets at cost to the Offshore Transmission Owner (OFTO). This sale completed during 2018 and the assets are now capitalised as leased assets.

The aggregate amount of capitalised interest to 31 December 2018 was £44,540k (2017: £44,540k). The capitalisation rate in 2018 was 0% (2017 : 49%). Further capitalisation of interest ceased over the period of commencement of generation.

8. DEBTORS

	2018 £'000	2017 £'000
Trade debtors	**10,692**	9,789
Prepayments and accrued income	**27,800**	29,972
Corporation tax	**3,968**	-
VAT recoverable	**328**	1,061
Other debtors	**6,440**	168
Deferred tax asset	**3,844**	4,306
Loan to parent company	**366,165**	-
	419,237	45,296

9. CREDITORS: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**3,202**	3,330
Accruals and deferred income	**72,674**	14,679
Amounts owed to related parties	**1,730**	96,494
Other financial liabilities (see note 10)	**3,000**	16,113
	80,606	130,616

10. OTHER FINANCIAL LIABILITIES

	2018 £'000	2017 £'000
Fair value of interest rate swaps with related parties	**-**	4,834
Fair value of interest rate swaps with third parties	**3,000**	11,279
	3,000	16,113

11. CREDITORS: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Loans – net of unamortised set up costs	**547,770**	1,072,371
Bonds	**701,350**	-
Deferred tax	**13,867**	8,231
	1,262,987	1,080,602

All loan facilities held at 31 December 2017 were fully repaid during the year.

In December 2018, the Company issued £706,000k Guaranteed Senior Secured PP Notes (PP Notes).

Details of the PP Notes as follows:

Facility Start Date:	18 December 2018
Facility End Date:	15 June 2032
Interest Rate:	2.74%
Repayment:	The PP Notes will be repaid in half yearly instalments starting in June 2019 and ending on 15 June 2026. Facilities shall be repaid in full on 15 June 2032.

11. GROUP CREDITORS: amounts falling due after more than one year (continued)

In December 2018, the Group entered into a Commercial Facilities Agreement, made up of a Term Loan Facility (TLF), a Debt Service Reserve Facility (DSRF) and a Revolving Working Capital Facility (RWCF) with a consortium of institutions. According to the terms of the agreement, the Company can borrow a total amount up to £558,000k on the TLF, up to £61,000k on the DSRF and up to £83,400k on the RWCF from its lenders. The total outstanding amount at 31 December 2018 was £547,770k (2017 : £nil) on the TLF and £nil on the other Facilities (2017 : £nil).

Details of the Commercial Facilities Agreement are as follows:

Facility Start Date:	18 December 2018
Facility End Date:	TLF: 15 June 2026 DSRF: 15 June 2032 RWCF: 15 June 2032
Interest Rate:	The aggregate of: (i) The Margin; and (ii) LIBOR, provided that, if the aggregate of the two is less than zero, the rate of interest shall be deemed to be zero.
Margin:	(a) for the TLF: (i) from the date of the agreement up to (and including) 15 December 2024: 0.9% (ii) from 16 December 2024: 1.1% (b) for the DSRF: (i) from the date of the agreement up to (and including) 15 December 2024: 0.9% (ii) from 16 December 2024 up to (and including) 15 June 2026: 1.1% (iii) from 16 June 2026 up to (and including) 15 December 2029: 1.3% (iv) from 16 December 2029: 1.4% (b) for the RWCF: (i) from the date of the agreement up to (and including) 15 December 2024: 0.9% (ii) from 16 December 2024 up to (and including) 15 June 2026: 1.1% (iii) from 16 June 2026 up to (and including) 15 December 2029: 1.3% (iv) from 16 December 2029: 1.4%
Repayment:	The TLF will be repaid in half yearly instalments starting in June 2019 and ending on 15 June 2026. In the event of the group drawing down on the DSR or RWC facilities, the repayment terms will be specified at the time of drawdown. All outstanding amounts under these facilities shall be repaid in full on 15 June 2032.

12. PROVISIONS

	2018 £'000	2017 £'000
Decommissioning provision	**89,151**	93,124
Long term lease liability	**298,632**	-
	387,783	93,124

The decommissioning provision is the present value of costs expected costs to be incurred in decommissioning the wind farm at the end of its 27 year life.

13. SHARE CAPITAL

	Ordinary shares £'000
At 1 January 2018 - 188,300,000 ordinary shares of £1 each	**188,300**
Share capital reduction by £0.999999 upon each share	**(188,300)**
At 31 December - 188,300,000 ordinary shares of £0.000001	-

On 19 December 2018, a special resolution was passed to reduce the Company's paid up capital to the extent of £0.999999 upon each of the 188,300,000 issued Ordinary Shares, thereby reducing the nominal value of each of the Ordinary Shares to £0.000001.

14. RELATED PARTIES

During the period 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 party	Sales to related parties	Amounts owed by related party	Amounts owed to related party	Fair value of interest rate swaps (included in creditors)
	£'000	£'000	£'000	£'000	£'000
Equinor ASA					
-2018	**2,960**	**54,023**	**6,402**	**231**	–
-2017	13,700	–	–	422	–
Equinor UK Limited					
-2018	**9,250**	–	–	**1,499**	–
-2017	4,635	–	44	–	–
Equinor Energy AS					
-2018	–	–	–	–	–
-2017	84	–	–	1	–
Hywind (Scotland) Limited					
-2018	–	–	**11**	–	–
-2017	–	–	–	–	–
Statkraft AS					
-2018	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
-2017	–	–	–	–	4,834

Dudgeon Offshore Wind Limited is a wholly owned subsidiary of Dudgeon Holdings Limited, which is a joint venture owned by Equinor New Energy Limited (35%), CRC New Energy (UK) Limited (30%) and Masdar Offshore Wind UK Limited (35%).

Equinor UK Limited and Equinor Energy AS and Equinor New Energy Limited are all 100% owned subsidiaries of Equinor ASA.

Hywind (Scotland) Limited is a joint venture owned by Equinor Energy Limited and Masdar Offshore Wind Scotland Limited.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2018 £'000	2017 £'000
Opening shareholders' funds	**165,357**	117,044
Profit for the financial year	**98,498**	48,313
Dividend distribution	**(264,026)**	-
Closing shareholders' funds	**(171)**	165,357

16. ESTIMATES AND JUDGEMENTS

Provisions

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.

17. CAPITAL COMMITMENTS

The Company had no specific commitments contracted for but not provided in the financial statements at 31 December 2018 (31 December 2017 : £nil.)

18. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Dudgeon Holdings II Limited, which in turn is a wholly owned subsidiary of Dudgeon Holdings Limited (DHL) DHL is jointly controlled by its parents, Equinor New Energy Limited, CRC New Energy (UK) Limited and Masdar Offshore Wind UK Limited..

Equinor New Energy Limited is a wholly owned subsidiary of Equinor ASA.

CRC New Energy (UK) Limited is a subsidiary of China Resources (Holdings) Company Limited.

Masdar Offshore Wind UK Limited is a wholly owned subsidiary of Mubadala Investment Company PJSC which is wholly owned by the Government of Abu Dhabi.