

**Directors' Report and Financial  
Statements**

*Dudgeon Offshore Wind  
Limited*

**For the year ended 31 December 2017**



# Dudgeon Offshore Wind Limited

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# Dudgeon Offshore Wind Limited

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REGISTERED NO. 4418909

## **DIRECTORS**

B Al Lamki	
M J Al Ramahi	
H Brustad	(Resigned 25 October 2017)
S Bull	(Resigned 25 October 2017)
D A Caskie	(Resigned 10 August 2017)
Y Ding	(Appointed 7 March 2018)
B Drangsholt	(Resigned 7 March 2018)
F Fassio	(Appointed 21 November 2017)
D J Flood	(Appointed 14 June 2017; resigned 7 March 2018)
O Hetland	(Resigned 14 June 2017)
M Meyer	(Appointed 14 June 2017; resigned 7 March 2018)
B Myking	(Appointed 25 October 2017)
L J Nordli	(Resigned 1 February 2017)
P Qi	(Appointed 7 March 2018)
R Rønvik	(Appointed 25 October 2017)
T Saetrevik	(Resigned 14 June 2017)
T I Ulla	(Appointed 1 February 2017)
Z Zhang	(Appointed 7 March 2018)

## **SECRETARY**

B H Berge

## **AUDITOR**

KPMG LLP  
100 Hills Road  
Cambridge  
CB2 1AR

## **REGISTERED OFFICE**

1 Kingdom Street  
London  
W26 BD

# Dudgeon Offshore Wind Limited

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## DIRECTORS' REPORT

The directors present their report with the financial statements of Dudgeon Offshore Wind Ltd ("the Company") for the year ended 31 December 2017.

### STRATEGIC REPORT

The Company has taken advantage of the exemption contained in section 414B of the Companies Act 2006 not to prepare a strategic report as it is eligible to prepare its financial statements in accordance with the small companies regime.

### SMALL COMPANY PROVISIONS

The Company qualifies as small in terms of sections 382 and 383 of the Companies Act 2006. This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to the small companies regime.

### RESULTS AND DIVIDENDS

The profit for the year after taxation was £48,313k (year ended 31 December 2016: £6,901k loss). No dividends were declared or paid in the year ended 31 December 2017 (2016: £nil).

### PRINCIPAL ACTIVITIES AND REVIEW

The principal activity of the Company in the year under review was that of a wind energy developer.

On 7 January 2017, the first turbine of 67 turbines was installed with the first electricity delivered to the grid in February. During the year, the remaining turbines were installed and the final turbine was installed and started generating in the middle of October. The total cost of construction over the three year construction period was 17% lower than budgeted.

### GOING CONCERN

The directors of the Company consider that the Company has adequate financial resources to continue operating for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company.

### CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

UK charitable donations in the year ended 31 December 2017 amounted to £217k (2016: £nil). 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 2017 are listed on page 1. None of the directors at any time during the period ended 31 December 2017 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 2017 had any material interest in any contracts with the Company.

## Dudgeon Offshore Wind Limited

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### 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**

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.

By order of the Board of Directors



B Myking – Director

27 June 2018

I Kingdom Street  
London  
W2 6BD

## Dudgeon Offshore Wind Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S 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.

The directors confirm that they have complied with the requirements; having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the accounts.

## 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 2017 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including 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.

### 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.

### Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

## Dudgeon Offshore Wind Limited

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### 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 take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 4, 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

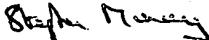
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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](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.



**Stephen Muncey (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Botanic House

100 Hills Road

CB21 1AR

United Kingdom

28 Jan 2018



# Dudgeon Offshore Wind Limited

## PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2017

	<i>Notes</i>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>TURNOVER</b>		<b>128,150</b>	-
<b>COST OF SALES</b>		<b>(49,927)</b>	-
<b>GROSS PROFIT</b>		<b>78,223</b>	-
<b>ADMINISTRATIVE EXPENSES</b>		<b>(10,152)</b>	<b>(11,990)</b>
Foreign exchange gains		13,304	13,655
<b>OPERATING PROFIT</b>	<i>3</i>	<b>81,375</b>	<b>1,665</b>
Interest receivable and similar income	<i>4a</i>	2,691	1,463
Interest payable and similar charges	<i>4b</i>	(24,551)	(1,194)
Fair value movement on financial instruments		(8,549)	(7,563)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>50,966</b>	<b>(5,629)</b>
Taxation	<i>5</i>	(2,653)	(1,272)
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD AFTER TAXATION</b>		<b>48,313</b>	<b>(6,901)</b>

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/(loss) for the years.

Notes on pages 10 to 23 form part of these financial statements.

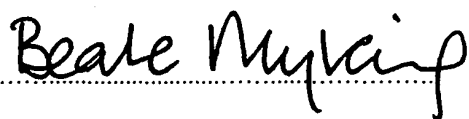
# Dudgeon Offshore Wind Limited

**BALANCE SHEET**  
at 31 December 2017

Registered number 4418909

		2017 £'000	2016 £'000
	<i>Notes</i>		
<b>FIXED ASSETS</b>			
Tangible assets	6	1,279,078	1,065,609
<b>CURRENT ASSETS</b>			
Debtors	7	45,296	49,965
Cash at bank and in hand		145,325	45,403
		<u>190,621</u>	<u>95,368</u>
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(130,616)</u>	<u>(75,328)</u>
<b>NET CURRENT ASSETS</b>		<u>60,005</u>	<u>20,040</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,339,083</u>	<u>1,085,649</u>
<b>CREDITORS: amounts falling after more than one year</b>	11	<u>(1,072,371)</u>	<u>(902,675)</u>
<b>PROVISIONS</b>	12	<u>(101,355)</u>	<u>(65,930)</u>
<b>NET ASSETS</b>		<u><u>165,357</u></u>	<u><u>117,044</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	188,300	188,300
Profit and loss account		(22,943)	(71,256)
<b>SHAREHOLDERS' FUNDS</b>		<u><u>165,357</u></u>	<u><u>117,044</u></u>

Notes on pages 10 to 23 form part of these financial statements.  
Approved by the Board of Directors and signed on their behalf by:



B Myking - Director

27 June 2018

# Dudgeon Offshore Wind Limited

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

Registered number 4418909

	Share capital	Profit & loss	Total
		Account	Shareholder's
			Funds
	£'000	£'000	£'000
At 1 January 2016	181,800	(64,355)	117,445
Loss for the year	-	(6,901)	(6,901)
Allotment of shares	6,500	-	6,500
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2016</b>	<b>188,300</b>	<b>(71,256)</b>	<b>117,044</b>
	<hr/>	<hr/>	<hr/>
At 1 January 2017	188,300	(71,256)	117,044
Profit for the year	-	48,313	48,313
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>188,300</b>	<b>(22,943)</b>	<b>165,357</b>
	<hr/>	<hr/>	<hr/>

Notes on pages 10 to 23 form part of these financial statements.

# Dudgeon Offshore Wind Limited

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

### 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 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. On the basis of current financial projections, available facilities and the continued financial support from the Company's shareholders, it is expected that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company has adopted the going concern basis in preparing the financial statements.

#### *Cash flow statement*

The Company is exempt from the requirement to prepare a cash flow statement, under FRS102, section 1A, on the grounds of its size.

#### *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.

Pre-build development costs are expensed to administrative expenses in the profit and loss account until the point at which the Company sanctions the wind farm and commits the resources required to complete the project. Once the project is sanctioned and the directors are satisfied as to the technical, commercial and financial viability of the project, development costs will be capitalised and depreciated over the useful production life of the wind farm.

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.

# Dudgeon Offshore Wind Limited

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## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2017

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Prepayments and accruals*

Differences between the construction value and amounts invoiced by suppliers are recorded as either prepayments, included in debtors or accruals, included in creditors.

#### *Interest payable / receivable and similar charges / income*

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

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

Loan commitment fees, payable on unutilised loan facilities are capitalised.

No further interest is capitalised once construction of the wind farm is complete.

Facility fees are charged to the profit and loss account over the term of the loan.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax arising on pre-trading expenses is recognised once production commences.

# Dudgeon Offshore Wind Limited

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

### 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 and forward foreign exchange contracts are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account.

# Dudgeon Offshore Wind Limited

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

### 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.

Once construction is complete the transmission assets will be sold at cost to the Offshore Transmission Owner (OFTO).

#### *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*

The directors of the Company consider that the Company has adequate financial resources to continue operating for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company. This is based on continued availability of financial support from shareholders when it is required.

#### *Asset Retirement Obligation*

A decommissioning liability and corresponding asset are recognised at the point at which the obligation arises.

The costs of dismantling the wind farm are estimated net of any scrap value and discounted to present value.

#### *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 Statoil ASA and Statkraft Markets GmbH direct generation of electricity from wind turbines and from a contract for difference (CFD) contract with Low Carbo Contract Company (LCCC). Under this contract, DOWL is guaranteed a pre-agreed price for electricity generated under the scheme for a period of 15 years.

## Dudgeon Offshore Wind Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

#### 2. STAFF COSTS

There were no staff costs for the years ended 31 December 2017 and 31 December 2016.

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. OPERATING PROFIT

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

	2017 £'000	2016 £'000
Audit and assurance related services remuneration	21	21
Foreign exchange gains	(13,304)	(13,655)
	<u>          </u>	<u>          </u>

#### 4a. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Interest receivable from related parties	-	12
Bank interest receivable	27	26
Interest receivable on derivative contracts with third parties	1,865	997
Interest receivable on derivative contracts with related parties	799	428
	<u>2,691</u>	<u>1,463</u>

#### 4b. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Bank and similar charges	28	123
Interest payable on overdue payments	1	2
Amortisation of facility fees	1,653	1,069
Interest on long term loans	15,204	-
Interest on derivatives	6,090	-
Unwinding of discount factor on asset retirement obligation	1,575	-
	<u>24,551</u>	<u>1,194</u>



## Dudgeon Offshore Wind Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

#### 5. TAX

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

	2017 £'000	2016 £'000
<i>Current tax:</i>		
Corporation tax on profit/(loss) for the period at 19.25% (2016: 20%)	-	1,272
Prior year adjustment	(1,272)	-
Total current tax, (note 5b)	(1,272)	1,272
<i>Deferred tax:</i>		
Current year movement	10,586	-
Recognition of prior year deferred tax	(6,661)	-
Total deferred tax	3,925	-
Total tax charge	2,653	1,272

##### b) Factors affecting current tax charge:

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017 £'000	2016 £'000
Profit / (Loss) on ordinary activities before taxation	50,966	(5,629)
Profit/(Loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19.25% (2015: 20%)	9,811	(1,126)
Pre-trading expenses	191	2,398
Disallowable decommissioning costs	628	-
Disallowable interest	940	-
Corporation tax rate changes	(984)	-
Recognition of prior year deferred tax	(6,661)	-
Prior year adjustment to current tax	(1,272)	-
Total tax charge	2,653	1,272

At 31 December 2016, a deferred tax asset of £6,661k relating to trading expenditure not yet deductible had not been recognised as the entity had not yet started earning income from its activities. This asset was recognised during 2017 when future profits became probable.

## Dudgeon Offshore Wind Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

#### 5. TAX (CONTINUED)

##### c) Deferred tax:

	2017 £'000	2016 £'000
Deferred tax is shown on the balance sheet within:		
Current debtors	4,306	-
Provisions	(8,231)	-
	<u>(3,925)</u>	<u>-</u>

##### The breakdown of deferred tax on the balance sheet is:

Accelerated capital allowances	(1,076)	-
Capitalised interest	(2,849)	-
	<u>(3,925)</u>	<u>-</u>

##### d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

# Dudgeon Offshore Wind Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2017

### 6. TANGIBLE FIXED ASSETS

	Capitalised decommissioning costs	Wind farm assets	Total
	£'000	£'000	£'000
<b>COST</b>			
At 1 January 2017	65,930	999,679	1,065,609
Additions	25,619	212,701	238,320
<b>At 31 December 2017</b>	<b>91,549</b>	<b>1,212,380</b>	<b>1,303,929</b>
<b>DEPRECIATION</b>			
At 1 January 2017	-	-	-
Charge in year	1,690	23,161	24,851
<b>At 31 December 2017</b>	<b>1,690</b>	<b>23,161</b>	<b>24,851</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2017</b>	<b>89,859</b>	<b>1,189,219</b>	<b>1,279,078</b>
At 31 December 2016	65,930	999,679	1,065,609

As construction is now complete, the company has a legal obligation to sell the transmission assets at cost to the Offshore Transmission Owner (OFTO). The sale will be completed during 2018.

The aggregate amount of capitalised interest to 31 December 2017 was £44,540k (2016: £24,158k). The capitalisation rate in 2017 was 49% (2016 : 100%). Further capitalisation of interest ceased over the period of commencement of generation.

# Dudgeon Offshore Wind Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2017

### 7. DEBTORS

	2017 £'000	2016 £'000
Trade debtors	9,789	-
Prepayments and accrued income	29,972	32,641
VAT recoverable	1,061	6,218
Other debtors	168	6
Related party debtors	-	1
Other financial assets (see note 8)	-	11,099
Deferred tax asset	4,306	-
	<u>45,296</u>	<u>49,965</u>

### 8. OTHER FINANCIAL ASSETS

	2017 £'000	2016 £'000
Fair value of financial derivative contracts with related parties	-	11,099
	<u>-</u>	<u>11,099</u>

### 9. CREDITORS: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	3,330	14,341
Accruals	14,679	39,915
Amounts owed to related parties	96,494	1,137
Corporation tax	-	1,272
Other financial liabilities (see note 10)	16,113	18,663
	<u>130,616</u>	<u>75,328</u>

### 10. OTHER FINANCIAL LIABILITIES

	2017 £'000	2016 £'000
Fair value of interest rate swaps with related parties	4,834	5,622
Fair value of interest rate swaps with third parties	11,279	13,041
	<u>16,113</u>	<u>18,663</u>

## Dudgeon Offshore Wind Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

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

	2017 £'000	2016 £'000
Amounts owed to related parties	-	65,603
Loans – net of unamortised set up costs	1,072,371	837,072
	<u>1,072,371</u>	<u>902,675</u>

In May 2016, the Company entered into a Long Term Loan Facility Commitment (LTLFC) with a consortium of institutions. According to the terms of the agreement, the Company can borrow a total amount up to £995,587k from its lenders. The total outstanding amount (including capitalised interest) at 31 December 2017 was £826,178k (2016 : £667,807k).

Details of the LTLFC are as follows:

Facility Start Date:	11 May 2016
Facility End Date:	15 June 2032
Interest Rate:	The aggregate of: (i) The Margin; and (ii) LIBOR, provided that, if LIBOR in any Interest Period is less than zero, LIBOR shall be deemed to be zero.
Margin:	(i) from the date of the agreement up to (and including) the Commercial Operations Date: 2.1% (ii) from the date following the Commercial Operations Date up to (and including) the 5 <sup>th</sup> anniversary of the Commercial Operations Date: 1.9% (iii) from the date following the 5 <sup>th</sup> anniversary of the Commercial Operations Date up to (and including) the 10 <sup>th</sup> anniversary of the Commercial Operations Date: 2.1% (iv) from the date following the 10 <sup>th</sup> anniversary of the Commercial Operations Date: 2.35%
Repayment:	The Loan will be repaid in half yearly instalments starting in December 2017 and ending on the facility end date.

## Dudgeon Offshore Wind Limited

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### NOTES TO THE FINANCIAL STATEMENTS at 31 December 2017

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

In May 2016, the Company also entered into a Transmission Facility Commitment (TFC) with a consortium of institutions. According to the terms of the agreement, the Company can borrow a total amount up to £239,164k from its lenders. The total outstanding amount (including capitalised interest) at 31 December 2017 was £238,760k (2016 : £175,901k).

Details of the TFC are as follows:

Facility Start Date:	11 May 2016
Facility End Date:	15 June 2021
Interest Rate:	The aggregate of: (i) The Margin; and (ii) LIBOR, provided that, if LIBOR in any Interest Period is less than zero, LIBOR shall be deemed to be zero.
Margin:	1.5%
Repayment:	The loan must be repaid in full by the facility end date.

In May 2016, the Company also entered into a Debt Service Reserve Facility Commitment (DSRFC) with a consortium of institutions. According to the terms of the agreement, the Company can borrow a total amount up to £53M from its lenders. The total outstanding amount (including capitalised interest) at 31 December 2017 was £nil (2016 : £nil).

Details of the DSRFC are as follows:

Facility Start Date:	11 May 2016
Facility End Date:	15 June 2032
Interest Rate:	The aggregate of: (i) The Margin; and (ii) LIBOR, provided that, if LIBOR in any Interest Period is less than zero, LIBOR shall be deemed to be zero.
Margin:	(i) from the First Scheduled Repayment Date up to (and including) anniversary of the Commercial Operations Date: 1.9% (ii) from the date following the 5 <sup>th</sup> anniversary of the Commercial Operations Date up to (and including) the 10 <sup>th</sup> anniversary of the Commercial Operations Date: 2.1% (iv) from the date following the 10 <sup>th</sup> anniversary of the Commercial Operations Date: 2.35%
Repayment:	Each loan shall be repaid on the last day of its interest period.

## Dudgeon Offshore Wind Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

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

In May 2016, the Company also entered into a Revolving Working Capital Facility Commitment (RWCFC) with a consortium of institutions. According to the terms of the agreement, the Company can borrow a total amount up to £50,000k from its lenders. The total outstanding amount (including capitalised interest) at 31 December 2017 was £30,000k (2016 : £nil).

Details of the RWCFC  
are as follows:

Facility Start Date:	11 May 2016
Facility End Date:	15 June 2032
Interest Rate:	The aggregate of: (i) The Margin; and (ii) LIBOR, provided that, if LIBOR in any Interest Period is less than zero, LIBOR shall be deemed to be zero.
Margin:	(i) from the date of the agreement up to (and including) the Commercial Operations Date: 2.1% (ii) from the date following the Commercial Operations Date up to (and including) the 5 <sup>th</sup> anniversary of the Commercial Operations Date: 1.9% (iii) from the date following the 5 <sup>th</sup> anniversary of the Commercial Operations Date up to (and including) the 10 <sup>th</sup> anniversary of the Commercial Operations Date: 2.1% (iv) from the date following the 10 <sup>th</sup> anniversary of the Commercial Operations Date: 2.35%
Repayment:	Each loan shall be repaid on the last day of its interest period.

#### 12. PROVISIONS

	2017 £'000	2016 £'000
Decommissioning provision	93,124	65,930
Provision for deferred tax (see note 5)	8,231	-
	<u>101,355</u>	<u>65,930</u>

The decommissioning provision is the present value of costs expected costs to be incurred in decommissioning the wind farm at the end of its 2 year life

## Dudgeon Offshore Wind Limited

### NOTES TO THE FINANCIAL STATEMENTS at 31 December 2017

#### 13. SHARE CAPITAL

188,300,000 ordinary shares of £1 each	Ordinary shares
	£'000
At 1 January 2017 and at 31 December 2017	<b>188,300</b>

#### 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	Amounts owed by related party	Amounts owed to related party	Fair value of forward exchange contracts (included in debtors)	Fair value of interest rate swaps (included in creditors)
	£'000	£'000	£'000	£'000	£'000
Equinor ASA (formerly Statoil ASA)					
-2017	13,700	—	422	—	—
-2016	22,845	—	633	3,885	—
Equinor UK Limited (formerly Statoil (UK) Limited)					
-2017	4,635	44	—	—	—
-2016	2,913	—	122	—	—
Equinor Energy AS (formerly Statoil Petroleum AS)					
-2017	84	—	1	—	—
-2016	1,782	—	—	—	—
Mubadala Treasury Holding Company LLC					
-2017	—	—	—	—	—
-2016	—	—	—	3,885	—
Statkraft AS					
-2017	—	—	—	—	4,834
-2016	—	—	—	3,329	5,622

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

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

Statkraft Treasury Centre AS and Statkraft UK Limited are both wholly owned subsidiaries of Statkraft SF.



## Dudgeon Offshore Wind Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2017

#### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2017 £'000	2016 £'000
Opening shareholders' funds	117,044	117,445
Profit/(Loss) for the financial year	48,313	(6,901)
Increase in share capital	-	6,500
Closing shareholders' funds	165,357	117,044

#### 16. CAPITAL COMMITMENTS

The Company had no specific commitments contracted for but not provided in the financial statements at 31 December 2017 (31 December 2016 : £190M). These commitments were wholly in relation to the asset under construction.

#### 17. ULTIMATE CONTROLLING PARTY

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

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

Statkraft UK Limited is wholly owned subsidiary of Statkraft SF.

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.

#### 18. POST BALANCE SHEET EVENTS

In January 2018, the parent company loan of £96,115k was repaid in full.

In March 2018, Statkraft UK Limited sold its entire shareholding in Dudgeon Holdings Limited to CRC New Energy (UK) Limited.