

**Directors' Report and Financial
Statements**

Scira Offshore Energy Limited

31 December 2008

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COMPANIES HOUSE

Scira Offshore Energy Limited

Registered No. 5119310

DIRECTORS

K M Aanstad
A S Lycke
H L Hatlestad

SECRETARY

Mr A J Saul

AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

SOLICITORS

Norton Rose
3 More London Riverside
London
SE1 2AQ

REGISTERED OFFICE

One Kingdom Street
London
W2 6BD

Scira Offshore Energy Limited

DIRECTORS' REPORT

The directors present their report with the financial statements of the Company for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £718,428 (2007: £3,898,515). No dividends were declared or paid in the year ended 31 December 2008 (2007: £nil).

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The results for the year are satisfactory and in line with directors expectations.

On the basis of current financial projections and facilities available, we have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements. The Company has claimed exemption under Section 246(4) from preparing an enhanced business review (EBR) and Financial Risk Management disclosure on the basis that it is a small company.

The Company is currently involved with the Sheringham Shoal Offshore Wind Farm project which involves all activities related to planning and execution of the Sheringham Shoal Offshore Wind Farm. This includes the design, procurement, construction, commissioning, start-up and operation of all offshore and onshore facilities. The estimated investment in the project will be £850m.

The Wind Farm is to be built between 17 and 23 kilometres (10 to 15 miles) off the coastline north of Sheringham and Cromer, on the border to international waters. The diamond-shaped wind farm will cover about 35 square kilometres (13 square miles). There will be 88 wind turbines on foundations fixed to the seabed and two offshore substations generating an estimated 1.1 TWh annually (roughly equivalent to the annual energy consumption of 220,000 British homes).

Onshore the project has received the three planning permissions required to construct and operate the grid connection to join the wind farm to the electricity distribution network. The planning permissions, granted by North Norfolk and the Broadland District Councils, are for a new substation adjacent to an existing facility at Salle, near Cawston and for the construction and operation of a 21.6 kilometre underground cable system between a landfall point at Weybourne, on the northern Norfolk coast and the new substation. Initial works began in the spring of 2009.

Offshore, the project has received Section 36 Consent from the Department for Business, Enterprise and Regulatory Reform and license from the Marine and Fisheries Agency under the Food and Environment Protection Act of 1985.

Timetable for construction:

2009: Start onshore installation
2010: Start offshore installation
2011: Start installation of turbines
2011: Project completed

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks that face the Group in the course of conducting its business operations. Although not exhaustive, the following list highlights the principal issues:

DIRECTORS' REPORT

- **Competitive Risks**

This is the risk that the Company will not be competitive in the wind energy generation market and therefore lose its market share. The Directors do not believe that the Company is exposed to competitive risk as the current site of the Sheringham Shoal Offshore Wind Farm project was awarded by the UK Government during the Round II allocation in 2004. The project has a 50 year lifespan. Furthermore, the UK government is committed to the EU target that states that 20% of all energy should come from renewable energy (such as hydropower, waves and wind) by 2020.

- **Health and Safety**

The nature of operations exposes the Company to a wide range of significant health, safety, security and environment (HSSE) risks. Given the operational diversity and technical complexity of the project's daily operations, our potential HSSE risks cover a wide spectrum. These risks include major process safety incidents; failure to comply with approved policies; effects of natural disasters; exposure to general operational hazards; personal health and safety; and crime. The consequences of such risks materialising can be injuries, loss of life, environmental harm, disruption to business activities and, depending on their cause and severity, material damage to the Companies reputation. The Company has programmes and policies in operation to supply team members and those with access to the Companies facilities with orientation and training on safe workplace expectations and practices. There is no guarantee, however, that these practices are effectively performed in all circumstances.

- **Operational Risk**

The Company has established a Risk Management Tool in order to increase the attention towards potential project development threats and opportunities. It also provides a common platform to ensure identification, ownership and follow-up of risks at every level of the project thereby identifying events that hinder the achievement of performance objectives.

- **Joint Venture Risk**

It is possible (although not likely) that our partner may not be able to meet their financial or other obligations to the projects, threatening the viability of a given project.

EVENTS SINCE THE BALANCE SHEET DATE

On the 31 March 2009 50% of the issued share capital was issued by StatoilHydro Petroleum AS Limited to Statkraft UK Limited (a non related Company to the StatoilHydro Group). Refer to note 15 for more details. It was always the intention of the directors to develop the Sheringham Shoal Offshore Wind Farm, to find another party to share the financial risks and awards of the project.

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 31 December 2008 were as follows:

Mr A B van der Hem (Resigned 30 September 2008)

Mr J A Roos (Resigned 30 September 2008)

Mr K M Aanstad

Ms A S Lycke

Ms H L Hatlestad (Appointed 04 December 2008)

No director had any interests requiring disclosure under Schedule 7 of the Companies Act 1985 in the shares of the Company or any of its subsidiaries during the year. No contract or arrangement entered into by the Company in which any director is interested has subsisted during the year.

DIRECTORS' REPORT

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made inquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be placed before the members at the Annual General Meeting.

On behalf of the board

K M Aanstad - Director



Date 30 October 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which 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 those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCIRA OFFSHORE ENERGY LIMITED

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Scira Offshore Energy Limited

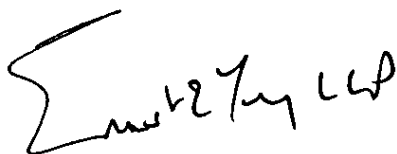
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCIRA OFFSHORE ENERGY LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written over the printed name.

Registered auditor

London

30.10.08

Scira Offshore Energy Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
TURNOVER		-	-
COST OF SALES		(767,278)	(3,923,732)
OPERATING LOSS	3	(767,278)	(3,923,732)
Interest receivable and similar income	4	64,985	41,197
Interest payable and similar charges	5	(61)	(3,385)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(702,354)	(3,885,920)
Tax charge on profit on ordinary activities	6	(16,074)	(12,595)
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(718,428)	(3,898,515)

None of the Company's activities were acquired or discontinued during the current year or previous period.

There are no recognised gains or losses attributable to the shareholders of the Company other than the loss of £718,428 for the year ended 31 December 2008 (2007: £3,898,515).

Movements on reserves are set out in note 11.

Notes 1 to 15 form part of these financial statements.

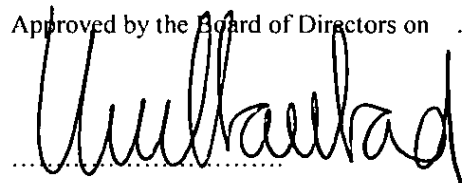
Scira Offshore Energy Limited

BALANCE SHEET at 31 December 2008

	<i>Notes</i>	2008 £	2007 £
fixed assets			
Intangible assets	7	74,067,287	-
		<u>74,067,287</u>	<u>-</u>
current assets			
Debtors	8	100,077	91,628
Cash at bank and in hand		3,537,223	1,814,667
		<u>3,637,300</u>	<u>1,906,295</u>
creditors: amounts falling due within one year	9	(67,681,941)	(1,613,442)
net current (liabilities) / assets		<u>(64,044,640)</u>	<u>292,853</u>
Total assets less current liabilities		<u>10,022,647</u>	<u>292,853</u>
creditors: amounts falling due after more than one year	9	-	(7,800,000)
NET assets / (LIABILITIES)		<u>10,022,647</u>	<u>(7,507,147)</u>
capital and reserves			
Called up share capital	10	18,249,422	1,200
Share premium	11	999,800	999,800
Profit and loss account	11	(9,226,575)	(8,508,147)
EQUITY shareholder's funds / (deficit)		<u>10,022,647</u>	<u>(7,507,147)</u>

Notes 1 to 15 form part of these financial statements.

Approved by the Board of Directors on 30/10/ 2009



K M Aanstad - Director

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2008

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The Company has taken advantage of the exemptions in Financial Reporting Standard No. 1 (revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a small company.

Wind farm development costs

All development costs are initially capitalised as intangible pending determination by the Company of commercial viability. Intangible assets are carried forward until they are declared part of commercial development, at which point the relevant total cost is transferred to the relevant tangible cost pool. The Company undertakes a review for impairment of the costs capitalised if events or changes in circumstances indicate that the carrying amount of the development costs 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 development costs are written down to their recoverable amount.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is more likely than not.

Current tax is provided at amounts to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Where losses are surrendered from fellow group undertakings they are paid in full.

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. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and expensed over the period during which the Group is expected to benefit. Provision is made for any impairment.

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

2. STAFF COSTS

There were no staff costs for the year ended 31 December 2008 or for the year ended 31 December 2007.

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 loss

The operating loss is stated after charging:

	2008	2007
	£	£
Auditors' remuneration	10,000	10,000
Development costs	757,278	3,913,732
	<u> </u>	<u> </u>

4.

interest receivable and similar income

Bank interest receivable	56,399	41,197
Other similar income	8,586	-
	<u> </u>	<u> </u>
Total current tax charge	64,985	41,197
	<u> </u>	<u> </u>

5.

interest payable and similar charges

Miscellaneous interest payable	61	-
Bank and other similar charges	-	3,385
	<u> </u>	<u> </u>
Total current interest payable and similar charges	61	3,385
	<u> </u>	<u> </u>

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

6.

TAX ON LOSS ON ORDINARY ACTIVITIES

a) Tax on loss on ordinary activities:

	2008 £	2007 £
Corporation tax on income for the period at 28.5% (2007 – 30%)	16,074	12,359
Corporation tax under provided in previous years at 30%	-	236
Total current tax charge	<u>16,074</u>	<u>12,595</u>

b) Factors affecting current tax charge:

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28.5% (2007 – 30%). The differences are reconciled below:

Loss on ordinary activities before tax	-702,354	(3,885,920)
Profit on ordinary activities multiplied by standard rate of corporation		
Tax in the UK of 28.5% (2007 – 30%)	-200,171	(1,165,776)
Pre-trading expenses	216,245	1,178,135
Prior year under provision	-	236
Total current tax charge	<u>16,074</u>	<u>12,595</u>

No deferred tax has been recognised in respect of pre-trading expenditure of £216,245 for which relief may not be available until the company commences trade.

7. INTANGIBLE FIXED ASSETS

	<i>Fixed assets under development</i> £
Cost:	
At 1 January 2008	-
Additions and at 31 December 2008	<u>74,067,287</u>
Net book value:	
At 31 December 2008	<u>74,067,287</u>
At 31 December 2007	-

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

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Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

8.	debtors	2008	2007
		£	£
VAT		97,457	73,123
Prepayments		2,620	18,505
		<u>100,077</u>	<u>91,628</u>
9.	creditors		
Amounts falling due within one year			
Trade creditors		82,636	1,294,876
Other creditors		-	57,06
Taxation		17,726	14,011
Accruals		4,705,168	247,495
Amounts owed to group undertakings		62,876,411	-
		<u>67,681,941</u>	<u>1,613,442</u>
Amounts falling due after more than one year			
Loans from joint venture partners		-	7,800,000
		<u>-</u>	<u>7,800,000</u>
10.	share capital		
		<i>Allotted, called up</i>	
		<i>Authorised</i>	<i>and fully paid</i>
	2008	2007	2008
	<i>No.</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	20,000,000	10,000	18,249,422
	<u>20,000,000</u>	<u>10,000</u>	<u>1,200</u>

During the year, the authorised share capital of the Company was increased by £19,990,000 following the creation of 19,990,000 ordinary shares of £1 each.

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

On 10 December 2008, 18,248,222 ordinary shares with aggregate nominal value of £18,248,222 were allotted in consideration for the release of the Company from indebtedness of £18,248,222 owed to Norsk Hydro (UK) Limited. On the same date Norsk Hydro (UK) Limited sold its entire holding of the shares in Scira Offshore Energy Limited comprising 18,249,422 shares to StatoilHydro Petroleum AS, a subsidiary of StatoilHydro ASA.

11. RESERVES

	Profit and loss account £	Share Premium account £	Total £
At 1 January 2008	(8,508,147)	999,800	(7,508,347)
Loss for the year	-718,428	-	-718,428
At 31 December 2008	(9,226,575)	999,800	(8,226,775)

12. SHAREHOLDER'S NOTE

At 1 January 2008, the Company was a joint venture between:

Norsk Hydro (UK) Limited	600 shares
Ecoventures BV	600 shares

No party had a controlling interest in, or dominant influence over, the Company.

On 29 May 2008, Ecoventures BV transferred 60 shares in Scira Offshore Energy Limited to Norsk Hydro (UK) Limited. On 30 September 2008, Ecoventures BV transferred its remaining 540 shares in Scira Offshore Energy Limited to Norsk Hydro (UK) Limited.

On 10 December 2008, the entire share capital of Scira Offshore Energy Limited was transferred to StatoilHydro Petroleum AS, a subsidiary of StatoilHydro ASA (refer also to note 15).

13. RELATED PARTY DISCLOSURES

The following table shows the charges levied during the year by the joint venture partners:

	Ecoventures BV and group Companies £	StatoilHydro ASA group Companies £
Consultancy and other charges	44,721	7,287,831

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2008	2007
	£	£
Loss for the financial year	-718,428	(3,898,515)
Increase in issued share capital	18,248,222	-
Opening shareholders' funds	(7,507,147)	(3,608,632)
Closing shareholders' funds	10,022,647	(7,507,147)
Equity interests	10,022,647	(7,507,147)

15. POST BALANCE SHEET EVENTS

Share capital allotments & ownership:

On 25 March 2009 62,662,562 additional shares were allotted to StatoilHydro Petroleum AS Limited in respect of capitalisation of intra-group loans which increased the issued share capital to £80,911,984.

On 31 March 2009 40,455,992 (50% of the issued share capital) were transferred by StatoilHydro Petroleum AS Limited to Statkraft UK Limited (a non related company).

On 14 May 2009 StatoilHydro Petroleum AS Limited and Statkraft UK Limited were allotted additional shares in equal proportions, in the aggregate number of 50,460,166 which further increased issued share capital following the allotment to £131,372,150.

On 9 June 2009 StatoilHydro Petroleum AS Limited and Statkraft UK Limited were allotted additional shares in equal proportions, in the aggregate number of 6,750,676. The issued share capital as at 22 June 2009 was £138,122,826.

On the 1 July 09 a Shareholders Agreement was signed between StatoilHydro Petroleum AS, Statkraft UK Limited, Scira Offshore Energy Limited and Statkraft AS. This agreement governs the relationship between of the above mentioned parties for the duration of the project.