

Company Registration No. 5119310

Scira Offshore Energy Limited

**Annual Report and Financial Statements
for the year ended 31 December 2015**

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Officers and professional advisers

Directors

Bjørn Drangsholt
Trine Ingebjørg Ulla
Olav Hetland
Eivind Jakob Torblaa (Resigned 16 October 2015)
Sverre Trollnes
Tarald Gjerde (Resigned 21 January 2016)
Unni Karlsen Hongseth (Appointed 16 October 2015)
Nigel Slater (Appointed 25 November 2014, resigned 22 April 2015)
Karl Smith (Appointed 20 April 2015)
Alexis Ulens (Appointed 20 April 2015)
Ingrid Fossgard-Moser (Appointed 21 January 2016)

Secretary

David Rumble

Registered office

Wind Farm Place
Edgar Road
Walsingham
Norfolk
NR22 6EJ

Auditor

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Bank

Danske Bank
ICB London
75 King William Street
London
EC4N 7DT

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of Scira Offshore Energy Limited (the “Company”) is the operation of the Sheringham Shoal offshore wind farm located between 17 and 23 kilometres (10 to 15 miles) off the Norfolk Coast north of Sheringham and Cromer on the border of international waters.

Review of business

Summary

The sole activity of Scira Offshore Energy Limited (the “Company”) is the operation of the Sheringham Shoal Offshore Wind Farm.

The diamond-shaped wind farm covers approximately 35 square kilometres (13 square miles) and consists of 88 wind turbines on foundations fixed to the seabed. Transmission to the grid is via one onshore substation and two offshore substations which are dedicated solely to transmission of electrical output from the wind farm. The transmission assets were constructed by the Company and were sold to an offshore transmission owner (OFTO) in 2013.

On 1 January 2014 the Statkraft group took full contractual responsibility for all operational activities under an Operator Management Service Agreement

For the 2015 year, production output amounted to 1,170 GWh (2014: 1,088 GWh) with a capacity factor of 42% (2014: 39%). During this period, whilst prevailing wind speeds have been lower than the long term average, the effect of this has been mitigated by maintaining production availability at a level higher than target. With effect from 1st August 2015, revenue in respect of Levy Exemption Certificates (LECs) was withdrawn as a consequence of the cessation by the UK government of the Climate Change Levy scheme.

The directors have elected to prepare the financial statements for the year ended 31 December 2015 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union for the first time. The purpose of this transition was to align the financial statements with the practice adopted by the shareholders.

Financial performance

The profit for the year after tax amounted to £18,951k (2014: £8,394k).

Financing

The Company is financed through a mixture of debt and equity. As at 31 December 2015 shareholder equity investment amounted to £447m (2014: £447m) with the remaining funding provided by shareholder loans amounting to £450.1m (2014: £513.5m). Liquidity is kept through cash reserves which amounted to £9.9m (2014: 9.1m).

Production

The Company's revenues come from sales of power, Renewable Obligation Certificates (ROCs) and Levy Exemption Certificates (LECs) through Power Purchase Agreements. The LEC scheme was withdrawn with effect from 1st August 2015.

Power production is determined by asset availability and prevailing wind speed.

Future outlook

During 2016 the Company is expected to make a net profit, and to be cash generative for the remainder of the life of the project. Future years are expected to develop further the operational performance experienced in 2015. It is anticipated that aside from expected variations in wind speed and minor variations resulting from the wake effect of other wind farms in the area, production and cost performance will be in line with that achieved during 2015. From time to time both National Grid and UK Power Networks have to carry out essential work / refurbishments to their respective networks to ensure continued security of supply. On occasions this results in reduced network capacity for the export of power from the Sheringham Shoal Offshore wind farm.

Corporate social responsibility

The Company strives to achieve an open and constructive dialogue with all stakeholders and the directors are working to develop the Company in a manner which increases the value for the shareholders and the local community in which the Company operates. The Company supports local activities; in 2015 a contribution of £100,000 to the Norfolk Community Foundation which was implemented during construction to help support local projects in consultation with local residents.

Principal risks and uncertainties

The management of the risks is based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact.

- The nature of operations exposes the Company to health, safety, security and environmental (HSSE) risks. For 2015 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 Statkraft has been structured 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.
- Some of the final construction related activities, including rectification work to address certain issues associated with foundation and substation design, remain to be completed although it is unlikely that these will affect production output.
- The Company sells power based on a recognised index and is exposed to price variations that occur within the index. In addition, as the value of the Renewable Obligation Certificate (ROC) Recycle Fund in respect of the 2015/2016 obligation period is not published until quarter 4 2016, the Company is exposed to the risk that the fund value when published will be lower than anticipated.
- The risk of lower than anticipated production owing to the unpredictable nature of wind as a resource is mitigated by appropriate planning 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 the WTG service provider together with operational experience from the owners' organisations.

- There is a risk of adverse legislation changes against the Company impacting its ability to make returns on the investment made. Green certificates contribute significantly towards profitability; the risk is managed by close monitoring of, and involvement in, the developments in applicable renewable regimes in the UK by the Statkraft Group.
- The failure of one or more turbines or part of the transmission assets could lead to high reinvestment costs and impact the Company's ability to trade. In this case, the Company has maintenance contracts in place in the event of such failure, warranties from the turbine supplier and insurance policies to cover loss of business interruptions.

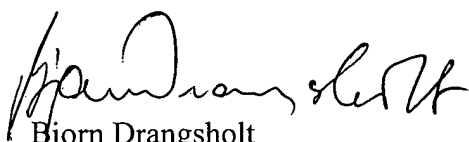
Directors' Indemnity Provision

During the period under review, the shareholders as employers of the officers of the Company had in place indemnity provisions in favour of their respective directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Events after the balance sheet date

There were no post balance sheet events.

Approved by the Board of Directors and signed on behalf of the Board by



Bjorn Drangsholt
Director
27 April 2016

Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 December 2015.

Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of resources available to the Company and current market conditions and concluded that it is appropriate. Further detail regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

Directors

The directors who held office during the period and up to the date of this report were:

Bjørn Drangsholt	
Trine Ingebjørg Ulla	
Olav Hetland	
Eivind Jakob Torblaa	(Resigned 16 October 2015)
Sverre Trollnes	
Tarald Gjerde	(Resigned 21 January 2016)
Unni Karlsen Hongseth	(Appointed 16 October 2015)
Nigel Slater	(Appointed 25 November 2014, resigned 22 April 2015)
Karl Smith	(Appointed 20 April 2015)
Alexis Ulens	(Appointed 20 April 2015)
Ingrid Fossgard-Moser	(Appointed 21 January 2016)

Policy on financial risk management

The financial risk management of the Company is detailed in note 3 to the Company's financial statements.

Charitable and political donations

The Company made charitable donations during the year of £114,875 (2014: £106,315). No contributions were made to a political party during the year.

Directors' indemnity provision

Details of the directors' indemnity provision is included in the Strategic Report.

Post balance sheet events

There were no post balance sheet events.

Auditor

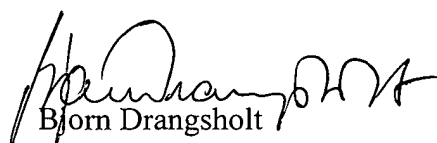
Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

KPMG LLP were reappointed auditor to the Company in the year. KPMG LLP has indicated their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming general meeting at which this report and financial statements are presented.

Approved by the Board of Directors and signed on behalf of the Board:


Bjorn Drangsholt
Director
27 April 2016

Scira Offshore Energy Limited
Wind Farm Place
Edgar Road
Walsingham
Norfolk
NR22 6EJ

Directors' responsibility statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Scira Offshore Energy Limited

We have audited the financial statements of Scira Offshore Energy Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

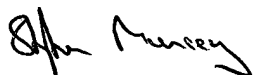
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Stephen Muncey (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 27 April 2016

Income statement

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Revenue	5	140,006	126,752
Cost of sales		(77,488)	(75,613)
Gross profit		62,518	51,139
Administrative expenses		(10,483)	(10,763)
Operating profit	8	52,035	40,376
Finance income	9	295	584
Finance costs	9	(30,355)	(31,829)
Profit on ordinary activities before tax		21,975	9,131
Taxation	10	(3,024)	(737)
Profit for the year		18,951	8,394

The results for both years have been derived wholly from continuing operations.

There are no recognised gains or losses attributable to the shareholders of the Company other than the net profit of £18,951k for the year ended 31 December 2015 (year ended 31 December 2014: £8,394k). Accordingly, no statement of total recognised gains and losses has been prepared.

There was no income or expense in either year presented other than that disclosed above. Accordingly a Statement of comprehensive income is not presented.

The notes on pages 16 to 41 form an integral part of these financial statements.

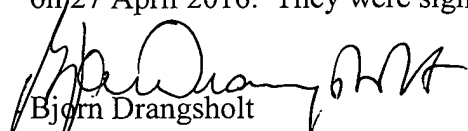
Statement of financial position

As at 31 December 2015

(Registered number 5119310)

	Notes	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Non-current assets				
Property, Plant & Equipment	11	1,173,728	1,222,713	1,265,576
		<u>1,173,728</u>	<u>1,222,713</u>	<u>1,265,576</u>
Current assets				
Inventories		1,244	882	-
Trade and other receivables	12	57,914	56,192	63,954
Cash and cash equivalents		9,935	9,149	8,926
		<u>69,093</u>	<u>66,223</u>	<u>72,880</u>
Total assets		<u>1,242,821</u>	<u>1,288,936</u>	<u>1,338,456</u>
Current liabilities				
Trade and other payables	13	35,268	41,909	33,481
		<u>35,268</u>	<u>41,909</u>	<u>33,481</u>
Non-current liabilities				
Loans from shareholders	14	441,015	504,514	574,015
Finance liability	14	186,419	188,625	190,279
Provisions	15	101,083	96,827	92,751
Deferred tax liability	19	6,325	3,301	2,564
		<u>734,842</u>	<u>793,267</u>	<u>859,609</u>
Total liabilities		<u>770,110</u>	<u>835,176</u>	<u>893,090</u>
Net assets		<u>472,711</u>	<u>453,760</u>	<u>445,366</u>
Equity				
Share capital	16	447,123	447,123	447,123
Share premium account	16	1,000	1,000	1,000
Retained earnings	16	24,588	5,637	(2,757)
Total equity		<u>472,711</u>	<u>453,760</u>	<u>445,366</u>

The notes on pages 16 to 41 form an integral part of these financial statements. The financial statements of the Company were approved by the Board of Directors and authorised for issue on 27 April 2016. They were signed on its behalf by:


Bjorn Drangsholt
Director

Statement of changes in equity

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
1 January 2014	447,123	1,000	(2,757)	445,366
Profit for the year	-	-	8,394	8,394
At 31 December 2014	447,123	1,000	5,637	453,760
1 January 2015	447,123	1,000	5,637	453,760
Profit for the year	-	-	18,951	18,951
At 31 December 2015	447,123	1,000	24,588	472,711

The notes on pages 16 to 41 form an integral part of these financial statements.

Cash flow statement

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net cash flow from operating activities	20	98,798	104,050
Cash flows from operating activities			
Interest (paid)/received		(25,733)	(27,270)
Purchase of property, plant and equipment		(7,124)	(10,480)
Net cash used in operating activities		65,941	66,300
Cash flows from financing activities			
Loan repayments		(63,500)	(63,500)
Financial liability repayments		(1,655)	(2,577)
Net cash (used in)/from financing activities		(65,155)	(66,077)
Net increase/(decrease) in cash during the year		786	223
Cash at beginning of the year		9,149	8,926
Cash at the end of the year		9,935	9,149

The notes on pages 16 to 41 form an integral part of these financial statements.

Notes to the financial statements

1. Corporate information

Scira Offshore Energy Limited (the “Company”) is a limited company registered in England and Wales with registered number 5119310. The Company is incorporated and domiciled in the United Kingdom. The address of the Company’s registered office is Wind Farm Place, Edgar Road, Walsingham, Norfolk NR22 6EJ.

The Company is 40% owned by Statkraft UK Limited, 40% owned by Statoil Petroleum AS and 20% owned by UK GIB Sheringham Shoal Investment Limited.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The financial statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore comply with Article 4 of the EU IAS regulation.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

These are the Company’s first annual financial statements prepared in accordance with IFRSs as adopted by the European Union. Subject to certain transition elections and exceptions disclosed in note 21, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position as at 1 January 2015 throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended 31 December 2014, prepared under UK GAAP.

2.2 Going Concern

The Company’s business activities, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The Strategic Report also sets out the financial position of the Company; the Company’s objectives, policies and processes for managing its capital; its financial risk management objectives and details of its exposure to credit and liquidity risk.

The Company is in a net asset position, and is cash generative. Considering all relevant factors, including review of the Company’s cash flow forecasts and relationship with its shareholders, the directors have reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Changes to accounting policies, new accounting standards and interpretations

At the time of adoption of these financial statements, the following relevant standards are issued by the IASB and effective for the financial year 2015:

- IFRIC 21 Levies: Interpretation of when an obligation to pay levies related to the Company's ordinary activities arises. This does not include levies related to income taxes, fines etc. The interpretation clarifies that recognition of the liability should be made when the activity which leads to the liability occurs. The change will have an effect on the accrual of expensed levies between different quarters. However, the interpretation is not believed to have any effect on the financial year as a whole.

IASBs improvement program 2010, 2012 and 2013

- IFRS 3 Business Combinations: The change clarifies that contingent considerations which are classified as either assets or liabilities should be measured at fair value at each reporting day in accordance with IAS 32 Financial Instruments: Presentation. The existing reference to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets is removed (2012). Furthermore, the standard now clarifies that IFRS 3 is not applicable to the financial statement of any joint venture as defined in IFRS 11 Joint Arrangements.
- IFRS 13 Fair Value Measurement: Clarification that the scope of the portfolio-exception includes all financial instruments as defined in IAS 39 and IFRS 9. This is regardless of whether they are defined as a financial asset or financial liability according to IAS 32.

Interpretations not approved, but relevant for the Company which can have an effect on the financial statements in future periods:

- IFRS 15 Revenue from Contracts with Customers: The standard applies for all contracts with customers. The main principle is that an entity shall recognize income in a way that reflects the transfer of goods or services to the customers with an amount which reflects what the entity is expecting to receive from the transfer. IFRS 15 is effective for reporting periods beginning 1 January 2017 or later. Early implementation is allowed. The new standard, which replaces IAS 18 Revenue, is currently under review and is not expected to have a material impact on the Group's financial statement.
- IFRS 9 Financial Instruments: IASB has completed IFRS 9 in 2014. The standard comprises new regulation on classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets. The standard is effective for reporting periods starting 1 January 2018 or later. Early implementation is allowed. Evaluation of the potential effects that IFRS 9 has on the Group has begun. IASBs improvement program 2012-2014.

2.4 Foreign currency translation

(a) Functional and presentation currency

The functional currency for the Company is pounds sterling and is determined by the currency of the primary economic environment in which it operates. This is also the presentation currency of the Company.

(b) Transactions and balances

Transactions denominated in currencies other than the functional currency of the Company are initially recorded in the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at the rate of exchange prevailing at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are not re-translated.

2.5 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 direct generation of electricity from wind turbines and from green certificates. Renewable Obligation Certificates (ROCs) and Levy Exemption Certificates (up to date of cessation of the LEC scheme on 31st July 2015) granted to the Company are recognised within income as eligible electricity is generated. They are held at the best estimate of the prevailing market value at the time they are generated. Sale of power, ROCs and LECs is governed by Power Purchase Agreements (PPAs).

This revenue is recognised when generation meets the grid supply point at which time it is measured by the appointed meter operator agent.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value on a straight line basis over the useful economic life of the asset. Expected useful life is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to such estimates. The evaluation of residual values is also subject to estimates.

	Depreciation period (years)
Buildings	24
Plant and equipment	24

A change in estimated expenditures for dismantling, removal and restoration of an asset is added to or deducted from the carrying value of the related asset. To the extent that the change would result in a negative carrying value, this effect is recognised in net income. The change in depreciation charge is recognised prospectively.

2.7 Impairments of property, plant & equipment

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but ensuring that the increased carrying amount does not exceed the original carrying amount before the impairment loss was booked. A reversal of impairment loss is recognised in profit or loss.

2.8 Provisions

Provisions are recognised where there is an existing obligation as a result of a past event, and where it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If material, account is taken of present values in calculating the size of the provision.

2.9 Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of a financial instrument. All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

2.9.1 Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.9.2 Impairment of financial assets

Financial assets, other than those carried at fair value through the profit and loss account, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2.9.3 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.10 Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2.10.1 Equity

Ordinary shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.10.2 Financial liabilities

The Company does not hold any financial liabilities classified as held at fair value through profit or loss. Consequently all financial liabilities are recognised as “other financial liabilities” and are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a short period, to the net carrying amount on initial recognition.

2.10.3 Derecognition of financial liabilities

The Company derecognises a financial liability when, and only when, the Company’s obligations are discharged, cancelled or they expire.

2.10.4 Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Contingent lease payments are recognised on an accruals basis in the period the commitment becomes due.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

2.10.5 Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.10.6 Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2.11 Taxation

Income tax comprises current and deferred tax. Current tax expense is the expected tax payable on the taxable income for the period, 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, such as foreign exchange, credit, liquidity and interest rate risk.

(a) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to Norwegian Kroner and Euros. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The Company does not use derivative instruments to manage its foreign currency risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is potentially exposed to credit risk through its loans and other receivables due. The profile of these balances is principally with other group companies, which the directors believe limits the risk of non-payment.

(c) Liquidity risk

Due to the revenues receivable from power generation at the wind farm, the Company is expected to remain cash-generative for the foreseeable future.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Company consists of debt – which includes borrowings disclosed in note 16, and equity attributable to the shareholders of the Company; comprising issued capital, share premium and retained earnings.

(d) Interest rate risk

The Company's interest rate risk arises from long-term borrowings from shareholders. Borrowings issued are subject to variations in the one month London Interbank Offered Rate (LIBOR) which exposes the Company to cash flow interest rate risk.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairments

Significant investments are made in property, plant and equipment. These non-current assets are tested for possible impairment where there are indicators of loss of value. Calculating the recoverable amount requires a series of estimates concerning future cash flows, of which price paths and production volume are the most important.

(b) Decommissioning

Provision for future decommissioning costs is made in full when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Management use the work of subject matter experts to assess the expected obligation where this is material.

The amount recognised is the present value of the estimated future expenditure using the market assessment of the time value of money, with a corresponding increase in the associated asset. The unwinding of the discount applied to future decommissioning provisions is included under finance costs in the income statement.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the asset.

(c) Renewable Obligation Certificate Recycle Fund

Provision of accrued income in respect of the Renewable Obligation Certificate (ROC) Recycle Fund for the 2015/2016 obligation period is included at the same rate as published for 2014/15 obligation period.

4.2 Critical judgements in applying the entity's accounting policies

(a) Property, plant and equipment

Property, plant and equipment is depreciated over its expected useful life, which in turn forms the basis for annual depreciation in the income statement. Expected useful economic life is based on experience, historical data and accounting judgements, and is adjusted in the event of any changes of estimates.

(b) Deferred tax

Deferred tax assets associated with brought forward trading losses are recognised in the balance sheet. Deferred tax assets are recognised to the extent that the utilisation of the asset is considered probable. Management policy is for the Company to recognise such assets only when profits are expected to continue in the immediate future.

(c) Revenue recognition

Revenue is recognised when the amount can be reliably measured, and it is probable that future economic benefits will continue. Where payment is received in advance of the service performed, the amount is deferred and recognised in the period to which the service relates.

5. Revenue

Revenue is in relation to income from generation of wind-powered electricity, and is stated net of VAT. The company sells all production and associated certificates produced to entities within shareholder groups:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
United Kingdom - Other	1,222	1,040
United Kingdom – Statkraft UK Ltd	-	52,570
Norway – Statoil ASA	55,514	60,785
Germany – Statkraft Markets GmbH	83,270	12,357
	<u>140,006</u>	<u>126,752</u>

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Sales of power	40,612	39,067
Renewable certificates	98,172	86,515
Other	1,222	1,170
	<u>140,006</u>	<u>126,752</u>

6. Directors' emoluments

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Remuneration	-	-
Other benefits	-	-
	<u>-</u>	<u>-</u>

The directors are employed by the shareholder entities in respect of whom no recharge of costs was made to the Company for the services provided.

7. Employee information

The Company had no employees during either year. Staff engaged in operation and administration of the wind farm are employed by the Statkraft group under an Operation and Management Services agreement.

8. Operating Profit

The following items have been included in arriving at operating profit / (loss):

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Depreciation	56,141	57,450
Operating lease payments	1,551	1,434
Fees payable to the Company's auditor:		
- for the audit of the Company's annual accounts	35	35

Operating lease payments due have been charged to the income statement for the period to which they relate. No non-audit services were performed by the Company's auditor in either period.

9. Net finance costs

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
9 (a) Finance income		
Interest receivable on bank deposits	109	41
Other interest receivable	-	20
Net foreign exchange gain	186	523
	<u>295</u>	<u>584</u>

9 (b) Finance costs

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest payable on parent company loans	13,549	15,163
Interest payable on finance liability	12,525	12,447
Other finance: Asset retirement Obligation discount	4,256	4,076
Bank interest payable	4	4
Other financial expense	21	139
	<u>30,355</u>	<u>31,829</u>

10. Taxation

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax	-	-
Deferred tax		
Current year	(3,763)	(1,154)
Prior year	454	417
Impact of rate change	285	-
Total deferred tax	3,024	737
Total tax expense for the year	3,024	737
Profit before tax	21,975	9,131
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	4,450	1,963
Effects of:		
Non-taxable IFRS adjustments	(217)	(31)
Disallowable expenses	-	(988)
Difference in tax rates	(470)	210
Prior year adjustments	(454)	(417)
Impact of rate change	(285)	-
Total charge	3,024	737

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation (20% to 31 March 2017, 19% from 1 April 2017 to 31 March 2020 and 18% from 1 April 2020).

11. Property, Plant & Equipment

	Capitalised Decommissioning costs £'000	Capitalised interest £'000	Transmission assets £'000	Wind farm assets £'000	Total £'000
2015					
Cost					
As at 1 January 2015	86,830	15,828	200,981	1,055,402	1,359,041
Additions	-	-	2,735	4,422	7,157
31 December 2015	86,830	15,828	203,716	1,059,824	1,366,198
Accumulated depreciation					
As at 1 January 2015	8,980	1,778	21,222	104,349	136,329
Charge for the period	3,724	610	8,471	43,336	56,141
31 December 2015	12,704	2,388	29,693	147,685	192,470
Net book value					
31 December 2015	74,126	13,440	174,023	912,139	1,173,728
	Capitalised Decommissioning costs £'000	Capitalised interest £'000	Transmission assets £'000	Wind farm assets £'000	Total £'000
2014					
Cost					
As at 1 January 2014	86,815	15,828	200,047	1,041,765	1,344,455
Additions	15	-	934	21,202	22,151
Disposals	-	-	-	(7,565)	(7,565)
31 December 2014	86,830	15,828	200,981	1,055,402	1,359,041
Accumulated depreciation					
As at 1 January 2014	5,254	874	11,237	61,513	78,878
Charge for the period	3,726	904	9,985	42,835	57,450
31 December 2014	8,980	1,778	21,222	104,348	136,328
Net book value					
31 December 2014	77,850	14,050	179,759	951,054	1,222,713

At 31 December 2015 the net carrying amount of leased plant and machinery was 174,023k (2014: £179,759). The leased equipment secures lease obligations (see note 18).

12. Trade and other receivables

	31 December	31 December	1 January
	2015	2014	2014
	£'000	£'000	£'000
Trade debtors	166	135	14
Amounts owed by related parties	4	-	35
Prepayments	2,649	1,637	703
Accrued income	54,144	53,980	62,528
VAT receivable	951	436	276
Other debtors	-	4	372
Deposits	-	-	26
	57,914	56,192	63,954

There are no trade and other receivables past due and not provided for. The directors consider that the carrying value of trade and other receivables approximately equals their fair value.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Credit risk is limited due to the majority of balances being with group undertakings.

13. Trade and other payables

	31 December	31 December	1 January
	2015	2014	2014
	£'000	£'000	£'000
Trade payables	398	379	107
Amounts due to related parties	266	3,880	67
Accruals	5,138	7,647	7,204
Shareholder loans	9,069	9,118	3,220
Transmission asset finance liability	2,205	1,655	2,576
Transmission asset deferred income	18,192	19,230	20,271
Other creditors	-	-	36
	35,268	41,909	33,481

Trade payables and accruals comprise amounts outstanding for trade purchases and on-going costs. The average credit period on purchases included in trade payables is 26 days (2014: 15 days); interest is not charged on these trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. All liabilities recorded above are expected to be settled within twelve months of the reporting date and hence all are disclosed as current liabilities.

The directors consider that the carrying amount of trade and other payables approximately equals their fair value.

14. Borrowings

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Non-current			
Loans from shareholders	441,015	504,514	574,015
Finance liability	186,419	188,625	190,279
	<u>627,434</u>	<u>693,139</u>	<u>764,294</u>
Current			
Loans from shareholders (note 13)	9,069	9,118	3,220
Finance liability	2,205	1,655	2,576
	<u>11,274</u>	<u>10,773</u>	<u>5,796</u>

Non-current borrowings include loan agreements with shareholders and the finance liability in respect of the transmission assets. The shareholder loans accrue interest at a floating rate based on LIBOR plus a margin applied to that balance. The cash value of the shareholder loans is repayable in full in 2020 including any outstanding accrued interest balance with the finance lease repayable in 2033. No borrowings are secured.

15. Provisions

	Decommissioning £'000	Total £'000
As at 1 January 2014	92,751	92,751
Changes in estimate provision	-	-
Unwinding of discount	4,076	4,076
At 1 January 2015	<u>96,827</u>	<u>96,827</u>
Change in estimate provision	-	-
Unwinding of discount	4,256	4,256
At 31 December 2015	<u>101,083</u>	<u>101,083</u>

Provision for decommissioning reflects the current cost of decommissioning the wind farm according to the decommissioning document submitted to and approved by the Department of Energy and Climate Change. Decommissioning is expected to occur in approximately 2036 with this dependent on the evaluation of an option to repower the wind farm for a second term. The provision is calculated on the basis of an inflation rate of 2% with a discount rate of 4.395%.

16. Equity

	2015 £'000	2014 £'000
Share capital	447,123	447,123
Share premium account	1,000	1,000
Retained earnings	24,588	5,637
At 31 December	472,711	453,760

The Company is 40% owned by Statkraft UK Limited, 40% owned by Statoil Petroleum AS and 20% owned by UK GIB Sheringham Shoal Investment Limited.

17. Related party transactions

The Company is joint venture undertaking and is 40% owned by Statkraft UK Limited, 40% owned by Statoil Petroleum AS and 20% owned by UK GIB Sheringham Shoal Investment Limited.

Related party transactions that involve a transfer of resources, services or obligations are disclosed regardless of whether a price is charged. Therefore, disclosure is required in respect of guarantees, gifts or other non-reciprocal transfers of assets or services, asset swaps or other similar transactions between related parties.

The following transactions were carried out with related parties:

(a) Revenue received from shareholder entities

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Statkraft Markets GmbH	83,380	12,357
Statoil ASA	55,587	60,785
Statkraft UK Limited	-	52,570
	138,967	125,712

(b) Year-end balances receivable

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Statkraft Energy Limited	4	-	-
Statoil ASA	-	-	35
	4	-	35

(c) *Costs recharged from shareholder entities*

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Statkraft AS	586	473
Statkraft Energi AS	10	285
Statkraft Energy Limited	3,673	1,152
Statkraft Markets GmbH	15	6
Statkraft UK Limited	891	642
Statoil (UK) Limited	25	144
Statoil ASA	4,851	18,826
	10,051	21,528

(d) *Year-end balances payable*

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Statkraft Energy Limited	194	56	24
Statkraft AS	47	-	-
Statkraft Markets GmbH	1	-	-
Statkraft UK Limited	24	-	-
Statoil ASA	-	3,824	2
	266	3,880	26

(e) *Other transactions and year-end balances with related parties*

Non-current loans with related parties are separately disclosed, see note 14. Intercompany financial transactions in the period are disclosed further, see note 9b.

Statkraft Energy Limited, Statkraft UK Limited, Statkraft AS and Statkraft Treasury Centre SA are wholly owned subsidiaries of Statkraft SF.

Statoil Petroleum AS is a wholly owned subsidiary of Statoil ASA, as are Statoil (UK) Limited, Statoil Exploration (Ireland) Limited, Statoil Petroleum AS and Statoil Co-ordination Center SA.

UK Green Investment Sheringham Shoal Limited (formerly UK GIB Sheringham Shoal Investment Limited) is a wholly owned subsidiary of UK Green Investment Bank plc.

18. Commitments

Operating lease commitments

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Lease payments under operating leases recognised in the period	1,551	1,434	1,364

Minimum value of lease repayments under non-cancellable operating leases:

Within 1 year	1,064	1,056	1,032
Within 2 to 5 years inclusive	4,464	4,431	4,331
After 5 years	66,856	68,811	69,683
	<u>72,384</u>	<u>74,298</u>	<u>75,046</u>

Operating lease commitments include rental of the seabed from the Crown Estate for a total duration of 50 years, ground lease rental in respect of the operational base for a period of 20 years and rental of additional storage space for a period of 20 years. In respect of the rental agreement with the Crown Estate the operating lease is variable being based on the production output for the relevant period with the stipulation of a minimum rental based on 778 GWh per annum.

Finance lease commitments

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Within 1 year	2,205	1,655	2,576
Within 2 to 5 years inclusive	15,743	12,848	10,224
After 5 years	170,676	175,777	180,055
	<u>188,624</u>	<u>190,280</u>	<u>192,855</u>

Finance lease commitments reflect the sale of transmission assets to an Offshore Transmission Owner ("OFTO") during July 2013 which has been treated as a sale and leaseback transaction. The repayments reflect the enhanced local transmission network use of system (TNUoS) charges over a period of 20 years from which is calculated an implicit interest rate which is used to determine the annual financing charge.

The reconciling difference between the carrying value of the finance lease asset and the carrying value of the finance lease liability is as follows:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Carrying value of leased asset held within Property Plant and Equipment	174,023	179,759	188,810
Fixed asset adjustments/(additions)	(3,180)	(445)	489
Difference between depreciation and loan repayments	17,781	10,966	3,556
Carrying value of finance liability	188,624	190,280	192,855

The difference between the carrying value of the leased asset and the carrying value of the finance lease liability is accounted for by the difference between the fixed asset depreciation which is on a straight line basis and the lease principal repayment which is calculated on a reducing balance basis.

19. Deferred tax

Deferred tax assets and liabilities are offset when the taxes concerned relate to the same taxation authority.

The gross movement on the deferred tax amount is as follows:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
At 1 January	(3,301)	(2,564)	3,781
Prior year adjustment	454	417	(722)
Rate change	285	-	(493)
Income statement (charge)/credit	(3,763)	(1,154)	(5,130)
Net deferred tax(liability)/asset at 31 December	(6,325)	(3,301)	(2,564)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances is as follows:

	31 December 2015	31 December 2014	1 January 2014
Deferred tax assets on tax losses and decommissioning provision	£'000	£'000	£'000
(Charged)/credited to income statement	1,562	1,807	(6,346)
	<u>1,562</u>	<u>1,807</u>	<u>(6,346)</u>
Deferred tax liabilities relating to accelerated tax depreciation	31 December 2015	31 December 2014	1 January 2014
	£'000	£'000	£'000
Charged to income statement	(4,586)	(2,544)	-
	<u>(4,586)</u>	<u>(2,544)</u>	<u>-</u>
Net charge to income statement	(3,024)	(737)	(6,346)

The following are major deferred tax balances recognised by the Company.

	Accelerated tax depreciation £'000	Capitalised interest £'000	Decommissioning £'000	Total £'000
As at 1 January 2014	(1,011)	(3,791)	2,238	(2,564)
Prior year adjustment	417	-	-	417
Rate change	-	-	-	-
Income statement charge	(2,960)	249	1,557	(1,154)
As at 1 January 2015	(3,554)	(3,542)	3,795	(3,301)
Prior year adjustment	454	-	-	454
Rate change	310	354	(379)	285
Income statement charge	(5,350)	151	1,436	(3,763)
31 December 2015	(8,140)	(3,037)	4,852	(6,325)

Deferred income tax asset is recognised for decommissioning to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation (20% to 31 March 2017, 19% from 1 April 2017 to 31 March 2020 and 18% from 1 April 2020).

20. Cash flow from operating activities

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net profit for the year	18,951	8,394
Adjustment for:		
Depreciation	56,141	57,450
Net finance costs	30,060	31,245
Taxation	3,024	737
Operating cash flow before movements in working capital	108,176	97,826
(Increase)/decrease in trade and other receivables	(1,722)	7,760
(Decrease)/increase in trade and other payables	(7,294)	(1,170)
Increase in inventory	(362)	(366)
Cash flow from operating activities	98,798	104,050

21. Capital commitments

Capital commitments amount to £4,746k and relate to a contract for the supply and fitment of replacement davit cranes to the wind turbine generators. The installation is scheduled to occur during 2016.

22. Financial instruments

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Fair value of financial instruments			
Financial assets			
Trade and other receivables	57,914	56,192	63,954
Cash and cash equivalents	9,935	9,149	8,926
	<u>67,849</u>	<u>65,341</u>	<u>72,880</u>
Financial liabilities			
Borrowings	(441,015)	(504,514)	(574,015)
Trade and other payables	(35,268)	(41,909)	(33,481)
	<u>(476,283)</u>	<u>(546,423)</u>	<u>(607,496)</u>

The carrying value of all financial assets and liabilities closely approximate to their fair value:

- Cash and cash equivalents comprise balances held with banks. Since the balances mature in less than 90 days, the carrying value is considered to be fair value.
- Fair value of the borrowings is approximate to its carrying value.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements.

31 December 2015

	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
Non derivative financial liabilities						
Finance lease liabilities	188,624	188,624	2,205	2,836	12,906	170,677
Shareholder loans	450,084	450,084	9,069	-	441,015	-
Trade and other payables	664	664	664	-	-	-
	<u>639,372</u>	<u>639,372</u>	<u>11,938</u>	<u>2,836</u>	<u>453,921</u>	<u>170,677</u>

31 December 2014

	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
Non derivative financial liabilities						
Finance lease liabilities	190,280	190,280	1,655	2,205	10,643	175,777
Shareholder loans	513,632	513,632	9,118	-	504,514	-
Trade and other payables	4,259	4,259	4,259	-	-	-
	<u>708,171</u>	<u>708,171</u>	<u>15,032</u>	<u>2,205</u>	<u>515,157</u>	<u>175,777</u>

Interest rate sensitivity analysis

An increase of 1% in interest rates at the balance sheet date would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	31 December 2015 £'000	31 December 2014 £'000
Decrease in equity	4,500	5,135
Decrease in profit	4,500	5,135

A decrease in interest rates to zero at the balance sheet date would have increased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	31 December 2015 £'000	31 December 2014 £'000
Increase in equity	2,421	2,519
Increase in profit	2,421	2,519

Foreign exchange sensitivity analysis

A 5% percent weakening in the currencies shown against pound sterling at 31 December would have increased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 December 2014.

	Equity 2015 £'000	Profit or Loss £'000
Euro	35	-
NOK	2	181
USD	-	3

A 5% percent strengthening of the above currencies against pound sterling at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

23. Transition to IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening IFRS balance sheet at 1 January 2015 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Income statement – transition to IFRS

For the year ended 31 December 2015

	Notes	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	(c)	138,966	1,040	140,006
Cost of sales	(c)	(76,593)	(895)	(77,488)
Gross profit		62,373	145	62,518
Administrative expenses		(10,483)	-	(10,483)
Operating profit		51,890	145	52,035
Finance income		295	-	295
Finance costs		(30,355)	-	(30,355)
Profit on ordinary activities before tax		21,830	145	21,975
Taxation		(3,024)	-	(3,024)
Profit for the year		18,806	145	18,951

Statement of financial position – transition to IFRS

	Note	31 December 2015			31 December 2014		
		UK	Effect of	IFRS	UK	Effect of	IFRS
		GAAP	transition to IFRS		GAAP	transition to IFRS	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Property, Plant & equipment	a)	1,155,253	18,475	1,173,728	1,203,312	19,401	1,222,713
		<u>1,155,253</u>	<u>18,475</u>	<u>1,173,728</u>	<u>1,203,312</u>	<u>19,401</u>	<u>1,222,713</u>
Current assets							
Inventories		1,244	-	1,244	882	-	882
Trade and other receivables		57,914	-	57,914	56,192	-	56,192
Cash and cash equivalents		9,935	-	9,935	9,149	-	9,149
		<u>69,093</u>	<u>-</u>	<u>69,093</u>	<u>66,223</u>	<u>-</u>	<u>66,223</u>
Total assets		<u>1,224,346</u>	<u>18,475</u>	<u>1,242,821</u>	<u>1,269,535</u>	<u>19,401</u>	<u>1,288,936</u>
Current liabilities							
Trade and other payables	b)	15,694	19,574	35,268	21,264	20,645	41,909
		<u>15,694</u>	<u>19,574</u>	<u>35,268</u>	<u>21,264</u>	<u>20,645</u>	<u>41,909</u>
Non-current liabilities							
Loans from shareholders		441,015	-	441,015	504,514	-	504,514
Finance liability		186,419	-	186,419	188,625	-	188,625
Provisions		101,083	-	101,083	96,827	-	96,827
Deferred tax liability		6,325	-	6,325	3,301	-	3,301
		<u>734,842</u>	<u>-</u>	<u>734,842</u>	<u>793,267</u>	<u>-</u>	<u>793,267</u>
Total liabilities		<u>750,536</u>	<u>19,574</u>	<u>770,110</u>	<u>814,531</u>	<u>20,645</u>	<u>835,176</u>
Net assets		<u>473,810</u>	<u>(1,099)</u>	<u>472,711</u>	<u>455,004</u>	<u>(1,244)</u>	<u>453,760</u>
Equity							
Share capital		447,123	-	447,123	447,123	-	447,123
Share premium account		1,000	-	1,000	1,000	-	1,000
Retained earnings	c)	25,687	(1,099)	24,588	6,881	(1,244)	5,637
Total equity		<u>473,810</u>	<u>(1,099)</u>	<u>472,711</u>	<u>455,004</u>	<u>(1,244)</u>	<u>453,760</u>

	31 December 2015 £'000	31 December 2014 £'000
Notes:		
a) Fixed assets – property, plant and equipment		
Increase in cost: (note i)	20,790	20,790
Increase in depreciation: (note i)	(2,315)	(1,389)
	<u>18,475</u>	<u>19,401</u>
b) Current liabilities – trade and other payables		
Recognition of deferred income: (note i)	18,192	19,231
Recognition of accrued rent: (note ii)	1,382	1,414
	<u>19,574</u>	<u>20,645</u>
c) Retained earnings		
Prior year adjustment (note i)	(170)	(56)
Release of profit on disposal of fixed assets (note i)	(1,040)	(1,040)
Depreciation on leased asset (note i)	926	926
Prior year adjustment (note ii)	1,414	1,445
Adjustment in respect of rent free period (note ii)	(31)	(31)
	<u>1,099</u>	<u>1,244</u>

IFRS adjustments relate to the following:

- i. Revised treatment of the sale of the transmission assets to an Offshore Transmission Owner (OFTO) which has been treated as a sale and leaseback transaction.
- ii. Revised treatment of the rent free periods in respect of the seabed lease with the Crown Estate and operational base in which the total rent is amortised over the full rental period including the rent free portion.

When preparing the historical financial statements under UK GAAP, all adoptions were taken to the extent possible to mirror the accounting treatment to IFRS with the exception of the adjustments noted above.

The transition from UK GAAP to IFRS has not affected the operating cash flows and as such no transitional cash flow statement is included.

24. Dividends

There were no dividends paid or proposed during either 2015 or 2014.

25. Post balance sheet events

There were no post balance sheet events.