

Offshore Renewable Energy Catapult
Consolidated financial statements and annual
report for the year ended 31 March 2016

Registered Number 04659351

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Offshore Renewable Energy Catapult

Consolidated financial statements and annual report for the year ended 31 March 2016

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Offshore Renewable Energy Catapult

Strategic report for the year ended 31 March 2016

The directors present their strategic report for the year ended 31 March 2016.

The Offshore Renewable Energy Catapult (“ORE”) is one of a family of ‘Catapults’. The Catapults are elite technology and innovation centres established by the UK Government in high growth industries and are designed to bridge the gap between Government, universities, research institutions and innovative businesses of all sizes. Their objective is to transform great research rapidly into commercial success to generate economic growth and they represent a long term strategic investment by Innovate UK in the UK’s innovation capability.

Business Review and Principal Activities

ORE was created in 2012, but can trace its roots back to 2003 when as the then UK’s National Translational Research Centre (Narec) it was responsible for accelerating grid integration of renewable energy systems and catalysing the development and deployment of offshore wind, marine and tidal energy technologies. From formation, Narec evolved, into one of the world’s largest and most comprehensive suites of offshore renewable research, development and test assets, to address the issues faced by companies seeking to develop and demonstrate technologies at full scale.

ORE merged with Narec during 2013 and since this time the business has fully integrated its Board, Executive leadership, governance, product & service offerings, people and systems. In 2016 ORE now provides a fully integrated service including; world-class research, testing and validation facilities, programmes (including joint industry programmes) and advisory services all of which benefit from ORE industry leadership, industrial reach and engineering expertise. Through this solid base, ORE delivers an impact by accelerating the design, deployment and commercialisation of renewable energy technology innovation, helping to de-risk technology to attract investors (including overseas investment) and to realise the enormous opportunities presented by the UK’s offshore renewable energy resources.

ORE’s vision is “abundant, affordable energy from offshore, wind, wave and tide”. In terms of strategy the core drivers for the company’s technology priorities are the impact they will have on reducing the Levelised Cost of Energy (“LCOE”) and maximising the UK benefit in the sector. The ORE strategy is to prioritise the areas where ORE’s resources can achieve maximum impact. Primarily on Blades; Drivetrains; and Electrical Infrastructure; while selectively also working within; Wind and Ocean Conditions; Foundations and Substructures; Operation and Maintenance; and Installation and Decommissioning. Through this thematic approach ORE has visibility of all the issues and opportunities relating to these key areas which in turn ensures the full knowledge of sector specific key issues and demonstrates credibility within each sector.

The results for the group show a profit on ordinary activities before taxation of £1.0m (2015: profit £3.4m) and turnover of £17.6m (2015: £15.7m). The group has net assets of £5.0m (2015: £4.5m).

The directors do not recommend the payment of a dividend (2015: £nil).

Offshore Renewable Energy Catapult

Strategic report for the year ended 31 March 2016 (continued)

The company is limited by guarantee. The liability of the members is £1 each.

Principal Risks and Uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The company maintains a full risk register which is subject to regular review and update by the Executive team. Significant risks identified along with mitigating actions are presented to the Audit Committee and reviewed by the full Board at least once per annum.

The key business risks and uncertainties affecting the group are considered to relate to the impact of the UK's departure from the European Union, a change in Government policy towards the support of renewable energy, destruction of all or part of the facilities, lack of use of the facilities, failure of IT systems, the commercial risk of larger projects, potential uncertainty over funding amounts, sources and availability of funding and employee retention. The directors manage these risks by ensuring diversification in the business, its customers and sources of funding.

Key Performance Indicators (KPIs)

ORE operates to five corporate objectives; revenue & profit, people, innovation & technology, service excellence and corporate and social responsibility. Milestones are attached to each of these objectives and KPI's are utilised to measure performance. The five corporate objectives are core to the ORE staff performance management system and performance under these objectives is essential under the performance related pay system. The KPI's are wide ranging, but include specific financial targets including; revenue targets, staff utilisation targets, cost control targets and future contracted revenue targets, along with other non-financial metrics such as staff number and retention, customer satisfaction, number of business and academic engagements etc. KPI's are fully reported on internally and in addition, KPI's (as agreed) are reported to Innovate UK on a quarterly (and annual basis) as agreed under the grant funding agreement.

On behalf of the board



A J Jamieson
Director

22 July 2016

Offshore Renewable Energy Catapult

Directors' report for the year ended 31 March 2016

The directors present their report with the audited consolidated financial statements of the company and the group for the year ended 31 March 2016.

Future Outlook

The market conditions for the renewable energy market are linked in a large part to global oil prices and at home in the UK, Government energy policy. Over the last year there has been some uncertainty in the sector as the industry reacts to changing market conditions, however looking to the foreseeable future (c. next 20 – 50 years) it is clear that renewable energy especially the offshore wind sector, will make a significant contribution in satisfying the energy needs (both in the UK and globally) which will create many more opportunities for the group.

The directors remain confident that the group will achieve an adequate level of performance in the future.

Distribution of Income

As governed by the Memorandum of Association, no portion of the income of the company shall be paid or transferred to any members of the company except where it is payment in good faith for remuneration for services rendered, rent for premises demised or let by any member of the company or repayment of out-of-pocket expenses to directors.

Research and Development

The group continues to develop its research and development (R&D) activities, to align these with ORE's areas of focus and to actively integrate these with engineering and test & validation capabilities in order that its facilities can be closely aligned with the current global energy market needs and to better position it to be successful in applying for national and international collaborative research projects. The impact of the European Referendum 'Brexit' vote is yet to become clear on European funded research, however the directors remain committed to the support of R&D as this is integral to the continuing success of the business.

Financial Risk Management

The group's operations expose it to a variety of risks, including liquidity risk and credit risk.

Liquidity Risk

The group actively manages its sources of finance to ensure it has sufficient funds for its operations.

Credit Risk

The group has implemented policies that require credit checks on potential new customers before sales are made. Credit limits are assessed on an ongoing basis and adjusted as appropriate.

Directors

Unless stated below, the directors shown below have held office during the whole of the year, and up to the date of signing these financial statements.

A Mill
C W Hood (Chairman)
A G Moore
A J Jamieson (Chief Executive)
R W Saunders (resigned 20.11.2015)
Sir J R McDonald
A P L Walls (Finance Director)

H L Liddell, Baroness Liddell of Coatdyke (resigned 1.4.2016)
A P L Walls (Finance Director)
F S Hallsworth
J E King, The Baroness Brown of Cambridge
Dame L A Glover (appointed 1.4.2016)
H McNeal (appointed 1.7.2016)

Offshore Renewable Energy Catapult

Directors' report for the year ended 31 March 2016 (continued)

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102. The Financial Reporting Standard Applicable in the UK and Republic of Ireland, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

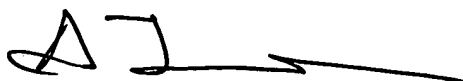
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



A J Jamieson

Director

22 July 2016

Offshore Renewable Energy Catapult

Independent auditors' report to the members of Offshore Renewable Energy Catapult

Report on the financial statements

Our opinion

In our opinion, Offshore Renewable Energy Catapult's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit and cash flows for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated and company balance sheets as at 31 March 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

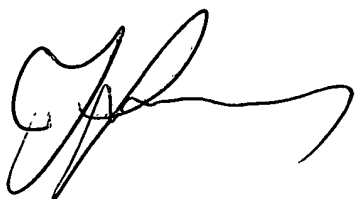
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
22 July 2016

Offshore Renewable Energy Catapult

Consolidated statement of comprehensive income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	1		
Continuing operations		17,590	9,892
Acquisitions		-	5,854
		17,590	15,746
Cost of sales		(2,560)	(1,638)
Gross profit		15,030	14,108
Administrative expenses		(17,631)	(16,374)
Other operating income		3,624	5,689
Operating Profits	3		
Continuing operations		1,023	3,423
Acquisitions		-	-
Interest receivable and similar income	4	8	4
Profit on ordinary activities before taxation		1,031	3,427
Tax on profit on ordinary activities	5	(454)	(484)
Profit for the financial year		577	2,943
Other comprehensive income for the year		-	-
Total comprehensive income for the year		577	2,943

All of the group's activities are continuing.

Offshore Renewable Energy Catapult

Consolidated balance sheet as at 31 March 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	7		66,105		63,046
Investments	8		14		14
			66,119		63,060
Current assets					
Debtors	9	4,842		1,896	
Cash at bank and in hand	12	8,019		6,097	
		12,861		7,993	
Creditors: amounts falling due within one year	10	(5,205)		(3,748)	
Net current assets			7,656		4,245
Total assets less current liabilities			73,775		67,305
Creditors : amounts falling due after more than one year	11		(59,212)		(60,319)
Provisions for liabilities	12		(9,514)		(2,514)
Net assets			5,049		4,472
Capital and Reserves					
Profit and loss account			5,049		4,472
Total capital			5,049		4,472

The financial statements on pages 7 to 27 were approved by the board of directors on 22 July 2016 and were signed on its behalf by:



A J Jamieson
Director



A P L Walls
Director

Registered number 04659351


Offshore Renewable Energy Catapult

Company balance sheet as at 31 March 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	7		66,105		63,046
Investments	8		39		39
			66,144		63,085
Current assets					
Debtors	9	3,441		1,542	
Cash at bank and in hand		8,005		6,044	
		11,446		7,586	
Creditors: amounts falling due within one year	10	(5,915)		(5,039)	
Net current assets			5,531		2,547
Total assets less current liabilities			71,675		65,632
Creditors : amounts falling due after more than one year	11		(59,212)		(60,319)
Provisions for liabilities	12		(9,514)		(2,514)
Net Assets			2,949		2,799
Capital and Reserves					
Profit and loss account			2,949		2,799
Total capital			2,949		2,799

The financial statements on pages 7 to 27 were approved by the board of directors on 22 July 2016 and were signed on its behalf by:


A J Jamieson
Director


A P L Walls
Director

Offshore Renewable Energy Catapult

Consolidated statement of changes in equity for the year ended 31 March 2016

	Profit and loss account	Total equity
	£'000	£'000
Balance as at 1 April 2014	1,529	1,529
Profit and total comprehensive income for the year	2,943	2,943
Balance as at 31 March 2015	4,472	4,472
Balance as at 1 April 2015	4,472	4,472
Profit and total comprehensive income for the year	577	577
Balance as at 31 March 2016	5,049	5,049

Offshore Renewable Energy Catapult

Company statement of changes in equity for the year ended 31 March 2016

	Profit and loss account	Total equity
	£'000	£'000
Balance as at 1 April 2014	401	401
Profit and total comprehensive income for the year	2,398	2,398
Balance as at 31 March 2015	2,799	2,799
Balance as at 1 April 2015	2,799	2,799
Profit and total comprehensive income for the year	150	150
Balance as at 31 March 2016	2,949	2,949

Offshore Renewable Energy Catapult

Consolidated cash flow statement for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Net cash outflow from operating activities	15	(13,663)	(11,609)
Cash flows from investing activities			
Interest received		8	4
Cash obtained on acquisition		-	539
Sale of Blyth Offshore Development		500	2,738
Turbine decommissioning funds received		3,500	-
Purchase of tangible fixed assets		(2,683)	(614)
Net cash inflow from investing activities		1,325	2,667
Cash flows from financing activities			
Grants received		14,260	13,595
Net cash inflow from financing activities		14,260	13,595
Net increase in cash and cash equivalents		1,922	4,653
Cash and cash equivalents at the beginning of the year		6,097	1,444
Cash and cash equivalents at the end of the year		8,019	6,097

Offshore Renewable Energy Catapult

Statement of accounting policies

General Information

Offshore Renewable Energy Catapult (“the Company”) and its subsidiaries (together “the Group”). The Group accelerates the design, deployment and commercialisation of renewable energy technology innovation, helping to attract UK and overseas investment and to realise the enormous opportunities presented by the UK’s offshore renewable energy resources

The company is a company limited by guarantee and is incorporated in England. The address of its registered office is Offshore House, Albert Street, Blyth, Northumberland, NE24 1LZ.

Statement of compliance

The Group and individual financial statements of Offshore Renewable Energy Catapult have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom

Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Going Concern

These consolidated and separate financial statements are prepared on a going concern basis. This is appropriate due to a strong cash position as at 31 March 2016, committed funding for the coming two financial years from Innovate UK and expectations of external revenue levels. Management have prepared detailed cash flow forecasts which demonstrate that the entity will be able to continue as a going concern for a period of at least twelve months from the date of signing these financial statements.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 March.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group’s accounting policies when preparing the consolidated financial statements.

Offshore Renewable Energy Catapult

Statement of accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- (ii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Critical accounting judgements and estimation uncertainty

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. 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) Impairment of tangible fixed assets (note 7)

The group considers whether tangible assets are impaired. Where indication of impairment is identified, the estimation of recoverable value requires estimation based on future cash flows.

(b) Provisions (note 12)

Provision is made for decommissioning the group's fixed assets, where appropriate. These provisions require management's best estimate of the costs that will be incurred in the future.

Turnover

Turnover represents receipt/release of revenue grants and net invoiced sales, excluding value added tax, except in respect of service contracts where turnover is recognised when the company obtains the rights to consideration. Where work is partially complete at the year end income is deferred in respect of any payments received in advance. The origination and destination of turnover relates exclusively to the UK.

Cost of sales

This includes all direct costs including power, consumables, raw materials and direct consultancy costs.

Administrative expenses

This comprises salary, pension & NI costs, depreciation, rent, legal & professional & audit costs, building & plant maintenance, rates, IT & telecoms, travel & subsistence, marketing and other administrative costs.

Offshore Renewable Energy Catapult

Statement of accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are valued at cost less accumulated depreciation and any impairment. Cost comprises the cost of acquisition and cost directly related to the acquisition up until the time when the asset is ready for use and where appropriate, decommissioning costs. In the case of assets of own construction cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Short leasehold land and buildings	- In accordance with the lease
Land and buildings	- Straight line over 25 years
Plant and machinery	- Straight line over 3 to 10 years
Computer equipment	- Straight line over 3 years

The useful economic lives and residual values are reviewed annually by management.

Assets in the course of construction are not depreciated until they are brought into use.

Deferred tax

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, with the following exceptions;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 substantively enacted at the balance sheet date.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the statement of comprehensive income in the period to which they relate. Scheme assets are held separately from those of the group in an independently administered fund.

Offshore Renewable Energy Catapult

Statement of accounting policies (continued)

Grants

Grants of a capital nature are credited to the balance sheet and released to the statement of comprehensive income over the useful life of the assets concerned. Grants which are revenue in nature are released to the statement of comprehensive income over the period to which they relate.

Operating leases

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Investments

Investments are recorded at cost less any provision for impairment.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016

1 Turnover

	2016	2015
	£'000	£'000
Sales to external parties	5,347	3,641
Grant income	12,243	12,105
	17,590	15,746

2 Staff costs

	2016	2015
	£'000	£'000
Wages and salaries	6,629	4,849
Social security costs	670	504
Other pension costs	484	362
	7,783	5,715

No amounts were prepaid or outstanding at the year end in relation to the pension costs of defined contribution pension schemes.

The average monthly number of employees during the year was as follows:

	2016	2015
Directors	10	10
Staff	113	105
	123	115

Total Directors Emoluments are as follows:

	2016	2015
	£'000	£'000
Emoluments	413	313
Pension contributions to money purchase schemes	43	31

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

2 Staff costs (continued)

Information regarding the highest paid director is as follows:

	2016	2015
	£'000	£'000
Emoluments	207	167
Pension contributions to money purchase schemes	31	22

2016: 1 (2015: 1) director is accruing benefits under the pension scheme.

3 Operating profit

Operating profit is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Depreciation – owned assets	3,124	2,951
Fees payable to company's auditors and their associates for the audit of parent company and consolidated financial statements	20	18
Fees payable to the company's auditors and their associates for other services:		
The audit of company's subsidiaries	10	16
Audit related assurance services	18	18
Operating lease charges – other (land and buildings)	751	748
Release of grants	(15,367)	(17,718)

Cost of sales, admin expenses and other operating income relates entirely to continuing operations.

4 Interest receivable and similar income

	2016	2015
	£'000	£'000
Bank interest receivable	8	4

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

5 Tax on profit on ordinary activities

(a) Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2016	2015
	£'000	£'000
Current tax:		
UK Corporation tax	174	525
Adjustments in respect of prior periods	280	(41)
Tax on profit on ordinary activities	454	484

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation	1,031	3,427
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	206	720
<i>Effects of:</i>		
Expenses not deductible for tax purposes	694	621
Income not taxable for tax purposes	(725)	(1,195)
Effect of gains (incl. Rollover relief)	-	575
Effects of other tax rates/credits	(1)	(196)
Adjustments in respect of prior periods	280	(41)
Tax on profit on ordinary activities	454	484

(c) Factors that may affect future tax changes

There are no factors expected to significantly affect future tax charges.

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

6 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £0.2m (2015: £2.4m).

7 Tangible assets

Group and company

	Land and buildings	Assets under construction	Plant and machinery	Computer equipment	De- commissioning costs	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2015	38,003	25,080	33,884	2,522	-	99,489
Additions	37	1,771	721	154	3,500	6,183
Transferred	-	(393)	393	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2016	38,040	26,458	34,998	2,676	3,500	105,672
Accumulated depreciation						
At 1 April 2015	7,445	-	26,798	2,200	-	36,443
Charge for year	1,239	-	1,637	248	-	3,124
Disposals	-	-	-	-	-	-
At 31 March 2016	8,684	-	28,435	2,448	-	39,567
Net book value						
At 31 March 2016	29,356	26,458	6,563	228	3,500	66,105
At 31 March 2015	30,558	25,080	7,086	322	-	63,046

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

8 Investments

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Shares in group undertakings	-	-	25	25
Other investments not loans	14	14	14	14
	14	14	39	39

The directors believe that the carrying value of the investments is supported by their underlying net assets. Additional information is as follows:

Group

	Unlisted investments £'000
Cost and net book value	
At 1 April 2015 and 31 March 2016	14

The group holds a 1.25% interest in the shares of Goliath Wind OU, a 12.5% holding in the shares of SMD Energy Limited and a 10% holding in the shares of Narec Distributed Energy Limited.

Company

	Unlisted investments £'000
Cost and net book value	
At 1 April 2015 and 31 March 2016	39

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries:

ORE Catapult Development Services Limited

Nature of business: New and renewable energy sources.

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

8 Investments (continued)

	%
Class of shares	Holding
Ordinary	100

Distributions to the company from its subsidiary are restricted by a management agreement. Distributions can only be made if such distributions will not have the effect of reducing the subsidiary's reserves below £100,000.

Starburst Solar Limited

Nature of business: dormant company.

	%
Class of shares	Holding
Ordinary	100

The company's subsidiary, ORE Catapult Development Services Limited, owns 100% of the share capital of Starburst Solar Limited.

9 Debtors

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade debtors	1,943	357	758	37
Amounts owed by group undertakings	-	-	3	3
Other debtors	1,758	795	1,758	795
VAT	6	183	174	229
Prepayments and accrued income	1,135	561	748	478
	4,842	1,896	3,441	1,542

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

10 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	2,022	1,249	1,995	1,165
Amounts owed to group undertakings	-	-	806	1,752
Other creditors	1,160	724	1,016	721
Other taxation and social security	169	648	169	503
Accruals and deferred income	1,854	1,127	1,929	898
	5,205	3,748	5,915	5,039

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

11 Creditors: amounts falling due after more than one year

	Group and company	
	2016	2015
	£'000	£'000
Accruals and deferred income	59,212	60,319

Accruals and deferred income relate to deferred capital and revenue grant receipts, analysed as follows:

	Group
	£'000
At 1 April 2015	60,319
Receivable in the year	14,260
Released to the profit and loss account	(15,367)
At 31 March 2016	59,212

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

12 Provisions for liabilities

Provisions of £9.5m (2015: £2.5m) relate to £2.5m decommissioning costs in respect of the construction of an offshore platform, £3.5m of costs in relation to decommissioning Levenmouth turbine at the end of its economic useful life and a further £3.5m covering funds that will be repayable to Samsung after the initial three year period of ownership of the turbine passes. These £3.5m of funds received from Samsung are held strictly for use against potential future decommissioning and are disclosed within cash in a restricted account.

13 Deferred tax

	2016 Unrecognised £'000	2016 Recognised £'000	2015 Unrecognised £'000	2015 Recognised £'000
Depreciation in excess of capital allowances	-	-	1	-
Total deferred tax asset	-	-	1	-

Balances above are in respect of both the company and group. The deferred tax asset has not been recognised on the grounds that sufficient taxable profits are not clearly foreseeable at this time to ensure its recovery.

14 Operating lease commitments

The group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £'000	2015 £'000
Payments due:		
Not later than one year	698	698
Later than one year and not later than five years	2,173	2,383
In more than five years	4,616	5,105
	7,487	8,186

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

15 Reconciliation of operating profit to net cash outflow from operating activities

	2016	2015
	£'000	£'000
Operating profit	1,023	3,423
Depreciation charges	3,124	2,951
Revenue grants released	(12,243)	(12,105)
Contingent consideration received on sale of assets	(500)	-
Capital grants released	(3,124)	(5,689)
(Increase)/decrease in debtors	(2,946)	4,359
Increase/(decrease) in creditors	1,003	(4,548)
Net cash outflow from operating activities	(13,663)	(11,609)

16 Analysis of changes in net funds

	As at 1 April 2015	Cash flow	As at 31 March 2016
	£'000	£'000	£'000
Cash at bank and in hand	6,097	1,922	8,019

17 Reconciliation of net cash flow to movement in net funds

	2016	2015
	£'000	£'000
Increase in cash in the year	1,922	4,653
Net funds as at 1 April	6,097	1,444
Net funds as at 31 March	8,019	6,097

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

18 Related party disclosures

The company has taken advantage of the exemption, FRS102.33.1A 'Related Party Disclosures', on the grounds that all companies in the group with which it has transactions or balances are wholly owned subsidiaries.

19 Ultimate controlling party

The directors do not consider there to be an ultimate controlling party of the group.

20 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014.

(a) Balance sheet extract

		As previously stated	Effect of transition	FRS 102 (as restated)
		As at 31 March 2015	2015	As at 31 March 2015
	Note	£'000	£'000	£'000
Accruals and deferred income	10	1,050	76	1,127
Accruals and deferred income	11	60,395	(76)	60,319
Net Assets		4,472	-	4,472

(b) Statement of comprehensive income extract

		As previously stated	Effect of transition	FRS 102 (as restated)
		2015	2015	2015
	Note	£'000	£'000	£'000
Grant income	1	12,029	76	12,105
Administrative expenses		(16,298)	(76)	(16,374)
Profit for the financial year		2,943	-	2,943

Offshore Renewable Energy Catapult

Notes to the financial statements for the year ended 31 March 2016 (continued)

20 Transition to FRS 102 (continued)

FRS 102 requires short term employee benefits to be charged to the statement of comprehensive income as the employee service is received. This has resulted in the Group recognising a liability for holiday pay of £76,400 on transition to FRS 102, offset by an equal release of grant accrual giving no net impact on the profit for the year. Previously holiday pay accruals were not recognised and were charged to the statement of comprehensive income as they were paid. In the year to 31 Mar 2016 an additional charge of £137,813 was recognised in the statement of comprehensive income and the liability at 31 March 2016 was £214,213.