Moray Offshore Renewables Limited

Directors' report and financial statements

Registered number 07101438

For the year ended

31 December 2012

Contents

Directors and advisors

Directors	JP Nogueira de Sousa Costeira E Garcia-Conde Noriega R Bonnar BJ Rodriguez Sanchez J Cortezon Santaclara R Texeira
Registered office	14-18 City Road Cardiff CF24 3DL
Auditors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	The Royal Bank of Scotland Edinburgh – St Andrew Square 36 St Andrew Square Edinburgh EH2 2YB

Directors' report

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2012

Principal activities

The principal activity of the company during the year was to develop an offshore windfarm in the Moray Firth

Trading results

The results of the company are shown on the profit and loss on page 5 No dividend was paid during the year (*2011 £nil*)

Directors

The directors who served the company during the year and to the date of this report were as follows

JP Nogueira de Sousa Costeira
E Garcia-Conde Noriega
R Bonnar
BJ Rodriguez Sanchez
L de Abreu Adao da Fonseca – (resigned 24 September 2012)
J Cortezon Santaclara
R Texeria – (appointed 24 September 2012)

Disclosure of information to auditors

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

JP Nogueira de Sousa Costeira
Director

14-18 City Road
Cardiff
CF24 3DL

19 June 2013

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Moray Offshore Renewables Limited

We have audited the financial statements of Moray Offshore Renewables Limited for the year ended 31 December 2012 set out on pages 5 to 12 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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' Responsibilities Statement set out on page 3, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements [1]

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

Signature

27-6-13

Hugh Harvie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Profit and loss account
for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Administrative expenses		**(125,864)**	(123,539)
Other operating income		**-**	19,854
Operating loss		**(125,864)**	(103,685)
Interest payable	*3*	**(1,247)**	(446)
Loss on ordinary activities before taxation	*2*	**(127,111)**	(104,131)
Tax on loss on ordinary activities	*4*	**-**	-
Loss for the financial period	*11*	**(127,111)**	(104,131)

The result for the period has been derived from continuing activities

Other than the loss for the current and preceding year there are no recognised gains or losses

Balance sheet
at 31December 2012

	Note	2012	2011
		£	£
Fixed assets			
Investments	*5*	**3**	3
Tangible assets	*6*	**24,277,650**	16,809,718
Current assets			
Debtors	*7*	**49,523**	278,449
Cash at bank		**155,068**	26,410
		204,591	304,859
Creditors amounts falling due within one year	*8*	**(14,835,829)**	(7,737,882)
Net current liabilities		**(14,631,238)**	(7,433,023)
Total assets less current liabilities		**9,646,415**	9,376,698
Accruals and deferred income	*9*	**(1,145,785)**	(748,958)
Net assets		**8,500,629**	8,627,740
Capital and reserves			
Called up share capital	*10*	**8,819,909**	8,819,909
Profit and loss account	*11*	**(319,280)**	(192,169)
Shareholders' funds	*12*	**8,500,629**	8,627,740

These financial statements were approved by the board of directors on 19 June 2013 and were signed on its behalf by

JP Nogueira de Sousa Costeira
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention

The Company is exempt by virtue of being subject to the small companies regime of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities of £14,631,238 at the year end, which the directors believe to be appropriate for the following reasons The company's day to day working capital requirements are provided by its parent undertaking The directors of the parent undertaking have indicated they will continue to provide such funds as are necessary to enable Moray Offshore Renewables Limited to continue to trade and to meet its liabilities as they fall due and that the parent undertaking will not seek repayment of the amounts currently made available As with any company placing reliance on other group companies for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Based upon the undertaking of financial support outlined above, and after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, the directors continue to adopt the going concern basis in preparing the company's annual financial statements

Investments

Investments in subsidiaries, joint ventures and associates are stated at cost less provisions for permanent impairment

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Windfarm assets - 25 years

Fixed assets recorded in the Balance sheet are currently under construction and will not be depreciated until completion

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Cost Contribution from The Crown Estate

Cost contribution from The Crown Estate in respect of capital expenditure is credited to the profit and loss account over the period of the estimated useful life of the relevant fixed assets The cost contributions shown in the balance sheet represent cost contributions received or receivable to date, less the amounts so far credited to profits

Taxation

The charge for taxation is based on the profit for the period and taking into account taxation deferred because of timing differences between the treatment of certain items of taxation and accounting purposes Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes but not reversed by the balance sheet date except as otherwise required by FRS19

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging	**Year ended 31 December 2012 £**	Year ended 31 December 2011 £
Auditors' remuneration – audit of these financial statements	**6,300**	6,300

The company has no employees other than its directors No directors' remuneration was paid during the year (2011 £nil)

3 Interest payable and similar charges

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Foreign Exchange Losses	**1,247**	446

4 Taxation

Analysis of credit in period

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
UK corporation tax		
Current tax on loss for the period	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax charge / (credit) for the current period

The current tax charge / (credit) for the period is lower (*2011 lower*) than the standard rate of corporation tax in the UK of 24 49% (*2011 26 49%*) The differences are explained below

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(127,111)**	(104,131)
Current tax at 24 49% (*2011 26 49%*)	**(31,139)**	(27,584)
Effects of		
Expenses not deductible for tax purposes	**1,164**	
Unrecognised tax losses carried forward	**29,975**	27,584
Total current tax credit (see above)	-	-

Notes *(continued)*

4 Taxation *(continued)*

A deferred tax asset amounting to £72,342 (*2011 £48,042*) has not been recognised in respect of excess expenses realised in the period This is due to the uncertainty of the recoverability of this asset at the balance sheet date

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

5 Investments

	Shares in subsidiary companies £
At beginning and end of year	3

The company had the following investments at the year end

	Country of incorporation	Principal activity	Class and percentage of shares held
Telford Offshore Windfarm Limited	England and Wales	Wind farm development	100% £1 Ordinary Shares
MacColl Offshore Windfarm Limited	England and Wales	Wind farm development	100% £1 Ordinary Shares
Stevenson Offshore Windfarm Limited	England and Wales	Wind farm development	100% £1 Ordinary Shares

6 Tangible fixed assets

	Assets in course of construction £
Cost and net book value	
At beginning of year	16,809,718
Additions	7,467,932
At end of year	**24,277,650**

Notes *(continued)*

7 Debtors

	2012 £	2011 £
Trade debtors	-	28,863
Other debtors	49,523	230,779
Amounts held in escrow	-	18,807
	49,523	278,449

8 Creditors: Amounts falling due within one year

	2012 £	2011 £
Trade creditors	187,286	1,462,885
Amounts owed to parent company	10,236,070	5,112,180
Amounts owed to related parties	4,221,271	287,556
Accruals and deferred income	191,202	875,261
	14,835,829	7,737,882

9 Accruals and deferred income

	£
Cost Contribution from The Crown Estate	
At beginning of year	748,958
Additions during year	396,827
At end of year	**1,145,785**

10 Share capital

	2012 £	2011 £
Authorised share capital		
8,819,909 ordinary shares of £1 each	8,819,909	8,819,909
	8,819,909	8,819,909
Allotted, called up and fully paid		
8,819,909 ordinary shares of £1 each	8,819,909	8,819,909
	8,819,909	8,819,909

Notes *(continued)*

10 Share capital *(continued)*

On 12 April 2011 the company increased the number of B ordinary shares of £1 each, which were authorised, allotted, called up and fully paid by 274,812

On 29 June 2011 the company increased the number of A ordinary shares of £1 each by 2,179,977, and the number of B ordinary shares of £1 each by 6,265,120 All shares were authorised, allotted, called up and fully paid

On 29 June 2011 the company issued a resolution to convert all existing A ordinary and B ordinary shares into ordinary shares of £1 each in the capital of the company

11 Profit and loss account

	£
At beginning of year	(192,169)
Loss for the financial year	(127,111)
At end of year	**(319,280)**

12 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Loss for the financial period	**(127,111)**	(104 131)
New share capital subscribed (net of issue costs)	-	8 719,909
Net addition to shareholders' funds	**(127,111)**	8,615,778
Opening shareholders funds	**8,627,740**	11 962
Closing shareholders' funds	**8,500,629**	8 627 740

13 Contingent liability

The Crown Estate Commissioners hold a fixed charge over the company's shares and the shares of its parent company, EDPR UK Limited, for all obligations incurred by Moray Offshore Renewables Limited under or in connection with a Zone Development Agreement dated 7 January 2010 between Moray Offshore Renewables Limited and The Crown Estate Commissioners

During the year, a Bank Letter of Credit was issued by BNP Paribas dated 24 August 2012 to the benefit of National Grid to the value of £820,247 87 by way of security for the Final Sums Liability for work done and forecast to be done for the betterment of the MORL Project The Letter of Credit covers the period 1 October 2012 to 31 March 2013

14 Related party transactions

During the year Repsol Moray Firth Limited, a 33 36% shareholder in the company, advanced a loan of £3,120,871 *(2011 £2,641,743)* to the company Repsol Nuevas Energias UK Limited recharged staff costs of £43,145 *(2011 £53,744)* of which £39,048 were capitalised At the period end £4,221,271 *(2011 £287,556)* was due to Repsol Moray Firth Limited and is included in the amounts owed to related parties.

During the year EDPR UK Limited, a 66 64% shareholder in the company, advanced a loan of £2,417,888 *(2011 £2,198,147)* EDPR UK Limited also recharged staff costs and charged management fees of £3,432,173 (2011 £2,780,425), of which £3,394,323 were capitalised At the period end, £10,236,070 *(2011 £5,112,180)* remains outstanding and is included within amounts owed to parent company

15 Immediate and ultimate parent company

The immediate parent company is EDPR UK Limited which is incorporated in Wales The ultimate parent company is EDP Energias de Portugal, S A which is incorporated in Praca Marques de Pombal, 12 – 4, Lisbon

The largest group in which the results of the Company are consolidated is that headed by EDP Energias de Portugal, S A which is incorporated in Praca Marques de Pombal, 12 – 4, Lisbon The smallest group in which they are consolidated is that headed by EDP Renováveis, incorporated in Spain No other group financial statements include the results of the Company The consolidated financial statements of these groups are available to the public and may be obtained from http //www edpr com/investors/reports-and-results/company-reports/