Moray Offshore Renewables Limited

Directors' report and financial statements

Registered number 07101438

For the period from incorporation to 31 December 2010

Contents

Directors and advisors

Directors	JP Nogueira de Sousa Costeira L de Abreu Adao da Fonseca E Garcia-Conde Noriega R Bonnar BJ Rodriguez Sanchez J Cortezon Santaclara
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 period from incorporation to 31 December 2010

Incorporation

The company was incorporated on 10 December 2009

Principal activities

The principal activity of the company during the period 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

Directors

The directors who served the company during the period were as follows

JP Nogueira de Sousa Costeira	
L de Abreu Adao da Fonseca	
E Garcia-Conde Noriega	
R Bonnar	
BJ Rodriguez Sanchez	
JB Staadecker	(resigned 28 June 2011)
J Cortezon Santaclara	(appointed 28 June 2011)

All the directors were appointed at the date of incorporation, unless otherwise stated

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

During the period KPMG LLP were appointed as auditors of the company 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

2 September 2011

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

KPMG

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

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 period from incorporation (10 December 2009) to 31 December 2010 set out on pages 5 to 11 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 auditors
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 (APB'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 APB's web-site at www frc org uk/apb/scope/private cfm

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 2010 and of its loss for the period from incorporation (10 December 2009) to 31 December 2010,
- 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

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

L Bennett

L Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

8 September 2011

Profit and loss account

for the 55 week period ended 31 December 2010

	Note	**2010** **£**
Administrative expenses		**(87,348)**
Operating loss		**(87,348)**
Interest payable	*3*	**(690)**
Loss on ordinary activities before taxation	*2*	**(88,038)**
Tax on loss on ordinary activities	*4*	**-**
Loss for the financial period	*11*	**(88,038)**

The company has no recognised gain or losses other than the loss for the current period

The result for the period has been derived from continuing activities

Balance sheet
at 31December 2010

	Note	**2010** **£**
Fixed assets		
Investments	*5*	**3**
Tangible assets	*6*	**6,345,880**
Current assets		
Debtors due within one year	*7*	**140,444**
Cash		**294,183**
		434,627
Creditors amounts falling due within one year	*8*	**(6,544,333)**
Net current liabilities		**(6,109,706)**
Total assets less current liabilities		**236,177**
Accruals and deferred income	*9*	**(224,215)**
Net assets		**11,962**
Capital and reserves		
Called up share capital	*10*	**100,000**
Profit and loss account	*11*	**(88,038)**
Shareholders' funds	*12*	**11,962**

These financial statements were approved by the board of directors on 2 September 2011 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 £6,109,706 at the period end, which the directors believe to be appropriate for the following reasons The company's day to day working capital requirements are provided by the parent undertaking The directors of the parent undertaking have indicated that 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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction [or, if hedged forward, at the rate of exchange under the related forward currency contract] 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

Grants

Grants in respect of capital expenditure are credited to the profit and loss account over the period of the estimated useful life of the relevant fixed assets The grants shown in the balance sheet represent grants received or receivable to date, less the amounts so far credited to profits

Taxation

The charge for taxation is based on the loss 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

Notes
(forming part of the financial statements)

2 Loss on ordinary activities before taxation

	2010
Loss on ordinary activities before taxation is stated after charging	£
Auditors' remuneration – audit of these financial statements	6,000

3 Interest payable and similar charges

	2010
	£
On bank loans and overdrafts	690

4 Taxation

Analysis of credit in period

	2010
	£
UK corporation tax	
Current tax on income for the period	-
Tax on loss on ordinary activities	-

Factors affecting the tax credit for the current period

The current tax credit for the period is lower than the standard rate of corporation tax in the UK of 28% The differences are explained below

	2010
	£
Current tax reconciliation	
Loss on ordinary activities before tax	(88,038)
Current tax at 28%	(24,651)
Effects of	
Unrecognised tax losses carried forward	24,651
Total current tax credit (see above)	-

A deferred tax asset amounting to £23,770 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

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011 The Budget on 25 March 2011 announced an incremental rate reduction from 27% to 26% to apply from 1 April 2011 This will reduce the company's future tax charge accordingly It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge accordingly

Notes *(continued)*

5 Investments

	Shares in subsidiary company
	£
Cost	
At beginning of period	-
Additions during the period	3
At 31 December 2010	**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	Wales	Wind farm development	100% £1 Ordinary Shares
MacColl Offshore Windfarm Limited	Wales	Wind farm development	100% £1 Ordinary Shares
Stevenson Offshore Windfarm Limited	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 period	-
Additions	6,345,880
At end of period	6,345,880

7 Debtors

	2010
	£
Trade debtors	12,350
Unpaid share capital	100,000
Other debtors	28,094
	140,444

Notes *(continued)*

8 Creditors: Amounts falling due within one year

	2010
	£
Trade creditors	98,351
Amounts owed to parent company and fellow subsidiaries	4,350,698
Amounts owed to related parties	617,000
Accruals and deferred income	1,478,284
	6,544,333

9 Accruals and deferred income

	£
Grants	
At beginning of period	-
Additions during period	224,215
	224,215

10 Share capital

	2010
	£
Authorised share capital	
25,000 A ordinary shares of £1 each	25,000
75,000 B ordinary shares of £1 each	75,000
	100,000
Allotted, called up and fully paid	
25,000 A ordinary shares of £1 each	25,000
75,000 B ordinary shares of £1 each	75,000
	100,000

11 Profit and loss account

	£
At beginning of period	-
Loss for the financial period	(88,038)
At end of period	**(88,038)**

Notes *(contınued)*

12 Reconcilıation of movements ın shareholders' funds

	2010 £
Loss for the financıal perıod	(88,038)
New share capıtal subscrıbed (net of ıssue costs)	100,000
Net addıtıon to shareholders' funds	**11,962**
Openıng shareholders funds	-
Closıng shareholders' funds	**11,962**

13 Contıngent lıabılıty

The Crown Estates Commıssıoners hold a fixed charge over the company's B shares and the shares of ıts parent company, EDPR UK Lımıted, for all oblıgatıons ıncurred by Moray Offshore Renewables Lımıted under or ın connectıon wıth a Zone Development Agreement dated 7 January 2010 between Moray Offshore Renewables Lımıted and The Crown Estates Commıssıoners

14 Related party transactıons

Durıng the year Seaenergy Renewables Moray Fırth Lımıted, a 25% shareholder ın the company, advanced a loan of £75,000 to the company and recharged staff costs of £542,000, all of whıch were capıtalısed At the perıod end £617,000 was due to Seaenergy Renewables Moray Fırth Lımıted and ıs ıncluded ın amounts owed to related partıes

Durıng the year EDPR UK Lımıted, a 75% shareholder ın the company, recharged staff costs and charged management fees of £1,561,630, all of whıch were capıtalısed At the perıod end, £1,350,306 remaıns outstandıng and ıs ıncluded wıthın amounts owed to parent company and fellow subsıdıarıes

Durıng the year EDP Renováveıs SA, a subsıdıary of the company's ultımate parent company, advanced a loan of £3,000,392 to the company At the perıod end thıs loan remaıned outstandıng and ıs included wıthın amounts owed to parent company and fellow subsıdıarıes

15 Immedıate and ultımate parent company

The ımmedıate parent company ıs EDPR UK Lımıted whıch ıs ıncorporated ın England The ultımate parent company ıs EDP Energıas de Portugal, S A whıch ıs ıncorporated ın Praca Marques de Pombal, 12 – 4, Lısbon

The largest group ın whıch the results of the Company are consolıdated ıs that headed by EDP Energıas de Portugal, S A whıch ıs ıncorporated ın Praca Marques de Pombal, 12 – 4, Lısbon The smallest group ın whıch they are consolıdated ıs that headed by EDP Renováveıs, ıncorporated ın Spaın No other group financıal statements ınclude the results of the Company The consolıdated financıal statements of these groups are avaılable to the publıc and may be obtaıned from http //2010annualreport edprenovaveıs pt/