

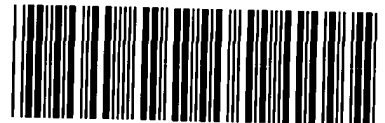
**Moray Offshore Windfarm (East) Limited
(formerly Moray Offshore Renewables Limited)**

Annual report and financial statements

Registered number 07101438

31 December 2016

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Directors' report

Principal activity

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

Research and development

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

Business Review

- Continued with the Procurement Process which will lead to the selection of Contractors required for the construction of the Wind Farms
- In February 2015, it was announced that the company was unsuccessful in the first round of the UK Government's Contract for Difference ("CfD") auction scheme. Receiving a CfD award will secure revenues associated with the project. Throughout 2016, the company continued to work towards submitting a 2nd bid in the next round of the CfD auction. The company submitted its bid to the 2nd Auction process on 18th August 2017.
- On 23 June 2016, the UK held a referendum to decide whether or not it should remain part of the European Union (EU), the result of which was that the UK voted to leave the EU. The company is monitoring the aftermath of the decision and the potential impact and risks it, and the subsequent negotiations with the EU, will have on the company going forward.
- On 29 January 2016, following the approval by The Crown Estate, the purchase of the 33.36% of Moray Offshore Renewables Limited's shares owned by Repsol Moray Firth Limited, was made by EDPR UK Limited making Moray Offshore Renewables Limited a 100% wholly owned subsidiary of EDPR UK Limited.
- On 22 December 2016, the company formally changed its name from Moray Offshore Renewables Limited to Moray Offshore Windfarm (East) Limited.
- On 8 February 2016, an amended Letter of Credit was issued by BNP Paribas to the benefit of National Grid to the value of £472,703 for the period 1 April 2016 to 30 September 2016. This replaces the Letter of Credit dated 19 August 2015 for £2,180,75, which covered the period 1 October 2015 to 31 March 2016.
- On 12 August 2016, a further amended Letter of Credit was issued by BNP Paribas to the benefit of National Grid to the value of £516,282 for the period 1 October 2016 to 31 March 2017. This replaces the letter issued on 8 February 2016.
- During the year, the EDPR UK group restructured in order to facilitate the development of Moray Offshore Windfarm (West) Limited. As part of this, the Zone Development Agreement ('ZDA') between The Crown Estate Commissioners and Moray Offshore Windfarm (East) Limited, was novated to the new parent company, Moray Offshore Renewable Power Limited.

Proposed dividend

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

Directors' report (continued)

Directors

The directors who held office during the year, and up to the date of this report were as follows:

J P Nogueira de Sousa Costeira
E Garcia-Conde Noriega
B J Rodriguez Sanchez
M Dias Amaro
D H Finch (appointed as a director on 23 November 2016)
M A P Balboa (appointed as a director on 14 June 2017)
M M V Menendez (appointed as a director on 14 June 2017)
D G Alcock (appointed as a director on 5 July 2017)
M M Maino (appointed as a director on 5 July 2017)
A P Collar (resigned as a director on 29 January 2016)
R Bonnar (resigned as a director on 29 January 2016)

Employees

The company currently has no employees (2015: nil).

Political contributions

The Company did not make any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor 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

26 September 2017

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, including FRS 101 *Reduced Disclosure Framework*.

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 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 Windfarm (East) Limited (formerly Moray Offshore Renewables Limited)

We have audited the financial statements of Moray Offshore Windfarm (East) Limited for the year ended 31 December 2016 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 2016 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Moray Offshore Windfarm (East) Limited (formerly Moray Offshore Renewables Limited) (continued)

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

29 September 2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2016

	<i>Note</i>	2016 £	2015 £
Administrative expenses		(131,822)	(107,659)
Asset impairment loss		-	(1,831,448)
Other operating expenses	4	(7,163,807)	(1,014,421)
Other operating income	4	6,485,822	1,014,421
Operating loss		(809,807)	(1,939,107)
Interest payable and similar charges	3	(507,374)	60,611
Loss on ordinary activities before taxation		(1,317,181)	(1,878,496)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year		(1,317,181)	(1,878,496)

There were no items other than the loss of the financial year included within total comprehensive income.

The result for the year has been derived from continuing activities.

Balance Sheet
at 31 December 2016

	<i>Note</i>	2016 £	2015 £
Fixed assets			
Tangible assets	6	70,647,837	65,110,058
Investments	7	3	3
		<hr/>	<hr/>
		70,647,840	65,110,061
Current assets			
Debtors	8	2,841,157	90,418
Cash at bank and in hand		217,660	1,676,272
Creditors: amounts falling due within one year	9	(66,296,662)	(58,174,233)
		<hr/>	<hr/>
Net current liabilities		(63,237,845)	(56,407,543)
		<hr/>	<hr/>
Total assets less current liabilities		7,409,995	8,702,518
Creditors: amounts falling due after more than one year	10	(1,145,785)	(1,145,785)
Provisions for liabilities			
Other provisions	11	(5,173,605)	(5,148,947)
		<hr/>	<hr/>
Net assets		1,090,605	2,407,786
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	8,819,909	8,819,909
Profit and loss account		(7,729,304)	(6,412,123)
		<hr/>	<hr/>
Shareholders' funds		1,090,605	2,407,786
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 26 September 2017 and were signed on its behalf by:



JP Nogueira de Sousa Costeira
Director

Company registered number: 07101438

Statement of Changes in Equity

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2015	8,819,909	(4,533,627)	4,286,282
Total comprehensive income for the period			
Loss for the financial year	-	(1,878,496)	(1,878,496)
	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income for the period	-	(1,878,496)	(1,878,496)
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2015	8,819,909	(6,412,123)	2,407,786

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2016	8,819,909	(6,412,123)	2,407,786
Total comprehensive income for the period			
Loss for the financial year	-	(1,317,181)	(1,317,181)
	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income for the period	-	(1,317,181)	(1,317,181)
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2016	8,819,909	(7,729,304)	1,090,605

Notes

(forming part of the financial statements)

1 Accounting policies

Moray Offshore Windfarm (East) Limited (the “Company”) is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, EDP Energias de Portugal, S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of EDP Energias de Portugal, S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from <http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx>

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new-but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of EDP Energias de Portugal, S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes (continued)

1 Accounting policies (continued)

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities of £63,237,845 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 Windfarm (East) 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.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in group undertakings are stated at amortised cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Windfarm assets (under construction) 25 years
- Plant and equipment 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Plant & equipment refers to the Offshore Met Mast, which continued to be assessed and repaired throughout the year following an incident in 2014 which caused damage to the asset. As a consequence of the incident, the estimated useful life has been reduced from 30 years to 5 years. The asset has been formally commissioned and has been fully operational since October 2016. In line with group policy, depreciation for the Offshore Met Mast is subsequently capitalised to the Windfarm asset.

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, 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 provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

1 Accounting policies (continued)

1.9 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.

2 Expenses and auditor's remuneration

Included in profit/loss are the following:

Auditor's remuneration:

	2016 £	2015 £
Audit of these financial statements	10,088	10,400
Amounts receivable by the company's auditor and its associates in respect of: Other assurance services	-	600
	<u> </u>	<u> </u>

3 Interest payable and similar charges

	2016 £	2015 £
Net foreign exchange loss/(gain)	507,374	(60,611)
Total Interest payable and similar charges	<u>507,374</u>	<u>(60,611)</u>

4 Other Operating Income and Expenses

	2016 £	2015 £
Other Operating Expenses – Repair costs relating to Insurance Claim	7,163,807	1,014,421
Other Operating Income - Insurance Claim Income	(6,485,579)	(1,014,421)
	<u>678,228</u>	<u>-</u>

Notes (continued)

5 Taxation

There was no current or deferred tax recognised in the profit and loss account in the current or prior year.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2016 £	2015 £
Loss on ordinary activities before tax	(1,317,181)	(1,878,496)
Total tax expense on profit/(loss) on ordinary activities	-	-
Loss on ordinary activities after tax	(1,317,181)	(1,878,496)
Effective Rate	0.0%	0.0%
Tax on loss at standard UK corporation tax rate of 20.00% (2015: 20.25%)	(263,436)	(380,395)
Expenses not deductible for tax purposes	4,932	409
Amounts not recognised for deferred tax purposes	258,504	379,986
Total tax expense for the period	-	-

Changes in tax rates and factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

A deferred tax asset amounting to £1,414,768 (2015: £1,151,859) has not been recognised in respect of excess expenses realised in the period. This deferred tax asset not recognised is comprised of tax losses carried forward to future periods of £330,323 and other temporary differences of £1,084,445. These deferred tax assets have not been recognised due to the uncertainty of the recoverability of these assets at the balance sheet date.

Notes (continued)

6 Tangible fixed assets

	Offshore Met Mast	Wind Farm Asset	
	Plant and equipment £	Under construction £	Total £
Cost			
Balance at 1 January 2016	18,228,342	52,630,379	70,858,721
Additions	128,847	6,039,358	6,168,205
	<u>18,357,189</u>	<u>58,669,737</u>	<u>77,026,926</u>
Balance at 31 December 2016			
Depreciation and impairment			
Balance at 1 January 2016	(5,748,663)	-	(5,748,663)
Depreciation	(630,426)	-	(630,426)
	<u>(6,379,089)</u>	<u>-</u>	<u>(6,379,089)</u>
Balance at 31 December 2016			
Net book value			
At 1 January 2016	12,479,679	52,630,379	65,110,058
	<u>11,978,100</u>	<u>58,669,737</u>	<u>70,647,837</u>
At 31 December 2016			

Impairment loss

Plant and equipment values reported above relate solely to the Offshore Meteorological Mast (Offshore Met Mast). The purpose of the Offshore Met Mast is to host instrumentation used to measure and gather information regarding both wind speed and power. This information is then used to perform calculations to determine the most efficient location of the wind turbines within the wind farm.

In September 2014, the installation process for the Offshore Met Mast commenced, however during October of that year the Offshore Met Mast was struck by a nearby vessel which caused significant damage to the base and the main mast structure. This led to the requirement to recognise an impairment of £3,917,215 in the profit and loss statement in 2014. A further impairment of £1,831,448 was recognised in 2015 in line with revised useful life estimations. The asset is now operational and has been since October 2016.

Notes (continued)

7 Fixed asset investments

	Shares in group undertakings £	Total £
<i>Cost</i>		
At beginning and end of year	3	3
	<hr/>	<hr/>
<i>Net book value</i>		
At 1 January 2016 and 31 December 2016	3	3
	<hr/> <hr/>	<hr/> <hr/>

The Company has the following investments in subsidiaries:

	Nature of Business	Country of Incorpor- ation	Class of shares held	Ownership	
				2016	2015
Telford Offshore Windfarm Limited 1 st Floor, 14/18 City Road, Cardiff, CF24 3DL	Dormant Company	England and Wales	£1 Ordinary Shares	100%	100%
MacColl Offshore Windfarm Limited 1 st Floor, 14/18 City Road, Cardiff, CF24 3DL	Dormant Company	England and Wales	£1 Ordinary Shares	100%	100%
Stevenson Offshore Windfarm Limited 1 st Floor, 14/18 City Road, Cardiff, CF24 3DL	Dormant Company	England and Wales	£1 Ordinary Shares	100%	100%

8 Debtors

	2016 £	2015 £
Other debtors	2,686,331	90,418
Amounts owed by related parties	154,826	-
	<hr/>	<hr/>
	2,841,157	90,418
	<hr/> <hr/>	<hr/> <hr/>

9 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	93,102	7,298,230
Amounts owed to group undertakings	62,602,587	37,542,255
Amounts owed to related parties	-	12,839,910
Accruals and deferred income	3,600,973	493,838
	<hr/>	<hr/>
	66,296,662	58,174,233
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Creditors: amounts falling after more than one year

	2016 £	2015 £
Accruals and deferred income	1,145,785	1,145,785
	<u>1,145,785</u>	<u>1,145,785</u>

11 Provisions

	Decommissioning Provision £
Balance at 1 January 2016	5,148,947
Unwinding of provision	24,658
Balance at 31 December 2016	<u>5,173,605</u>

A decommissioning provision was recognised at the end of 2014 in respect of the removal of the Offshore Met Mast and the obligation to restore the seabed at the end of the asset's useful life, with an additional provision recognised in 2015 in line with the revised useful life of 5 years. The asset became operational in October 2016 and so unwinding of the provision has commenced.

12 Capital and reserves

Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £ 1 each	8,819,909	8,819,909
	<u>8,819,909</u>	<u>8,819,909</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 5 December 2016, an SH01 form was inadvertently filed via web filing to Companies House against Moray Offshore Windfarm (East) Limited in relation to the issued share capital of the company. The aforementioned SH01 form should have been registered against the immediate parent company 'Moray Offshore Renewable Power Limited'.

As at 6 January 2017, a claim was lodged with the High Court of Justice requesting that an order be issued by the Court to allow Companies House to delete the incorrect filing against Moray Offshore Windfarm (East) Limited.

13 Contingencies

The Crown Estate Commissioners held a (share pledge) fixed charge over the Company's shares for all obligations incurred by Moray Offshore Windfarm (East) Limited under or in connection with a Zone Development Agreement ('ZDA') dated 7 January 2010 (Amended and Restated on 2 October 2014) between Moray Offshore Windfarm (East) Limited and The Crown Estate Commissioners. As part of the restructure and novation of the ZDA document, the share pledge is now held by The Crown Estate Commissioners over the shares of the parent company Moray Offshore Renewable Power Limited.

Notes (continued)

13 Contingencies (continued)

During the year, a Bank Letter of Credit was issued by BNP Paribas dated 8 February 2016 to the benefit of National Grid to the value of £472,703 by way of security for the Cancellation Charge for work done and forecast to be done for the betterment of the Moray Offshore Windfarm (East) Limited project. The Letter of Credit covers the period 1 April 2016 to 30 September 2016.

On 12 August 2016, a further amended Letter of Credit was issued by BNP Paribas to the benefit of National Grid to the value of £516,282 for the period 1 October 2016 to 31 March 2017. This replaces the letter issued on 8 February 2016.

14 Related parties

Identity of related parties with which the Company has transacted and related party transactions.

Between 1 January 2016 and 30 November 2016, EDPR UK Limited as 100% shareholder advanced a loan of £19,761,309 (2015: £6,491,334) to the Company. As at 30 November 2016, EDPR UK Limited sold its 100% shareholding in the Company by way of a 'share-for-share' exchange transaction with Moray Offshore Renewable Power Limited. As part of this transaction, the total outstanding loan balance of £59,712,276 between EDPR UK Limited and Moray Offshore Windfarm (East) Limited was transferred to Moray Offshore Renewable Power Limited.

From November 2016 to the period end, Moray Offshore Renewable Power Limited advanced a loan of £979,501 (2015: nil) to the Company. At the period end £60,647,567 remains outstanding and is included within 'Amounts owed to group undertakings'.

During the year, EDPR UK Limited recharged staff costs and management fees of £4,098,395 (2015: £4,341,605), of which £4,064,436 was capitalised. At the period end, a total of £1,955,020 remains outstanding and is included within 'Amounts owed to group undertakings'.

15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of EDP Energias de Portugal, S.A which is the ultimate parent company which is incorporated in Avenida 24 de Julho, No 12, 1249-300 Lisbon, Portugal. The ultimate controlling party is Moray Offshore Renewable Power Ltd, which is the immediate parent company and incorporated in Wales.

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 Avenida 24 de Julho, No 12, 1249-300 Lisbon, Portugal. The smallest group in which they are consolidated is that headed by EDP Renovaveis, 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 can be found via the website below:

<http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx>

<http://www.edpr.com/investors/reports-and-results/company-reports>

16 Subsequent events

On 15 February 2017, an amended Letter of Credit was issued by BNP Paribas to the benefit of National Grid to the value of £669,310 for the period 1 April 2017 to 30 September 2017. This will replace the Letter of Credit dated 12 August 2016 for £516,282 mentioned in note 13 above.

On 11 August 2017, a further amended Letter of Credit was issued by BNP Paribas to the benefit of National Grid to the value of £389,625.22 and on 17 August 2017, a new Letter of Credit was issued by Lloyds Bank plc to the benefit of National Grid to the value of £118,360.73. Both letters are for the period 1 October 2017 to 31 March 2018.

A Companies House return in respect of an allotment of shares was incorrectly filed in respect of the Company on 5 December 2016 which should have been filed in respect of Moray Offshore Renewable Power Limited. Due to the nature of the return, a court order was required to remove the incorrect filing. A court order was granted on 15 March 2017 to rectify the register of the Company.

Notes (continued)

16 Subsequent events (continued)

On 13 April 2017, the company issued a further 1,180,091 £1 Ordinary Shares to its parent company Moray Offshore Renewable Power Limited as part of a debt to equity conversion. This allowed part settlement for the current account balance with Moray Offshore Renewable Power Limited. Further to the debt to equity conversion, the remaining balance of the current account as at 13 April of £62,346,470.97 was converted to a short term interest bearing loan.

On 28 April 2017, an agreement was reached for the purchase of 23.3% of the company's share capital by a 3rd Party. On 7 July 2017, the purchase of the shares along with the purchase of 23.3% of the principle loan amount plus interest between the company and Moray Offshore Renewable Power Limited was fully completed.

On 18 May 2017, an agreement was reached with a further 3rd Party to purchase 33.3% of the company's share capital. As at the date of signing this purchase has yet to fully complete.

On 11 August 2017, an agreement was reached with a further 3rd Party to purchase 10% of the company's share capital (with an option to purchase a further 10%). As at the date of signing this purchase has yet to fully complete.

On 18 August 2017, the company formally submitted its bid for the 2nd CfD Auction held by the UK Government. On the 11 September 2017, it was announced that the company had been successful and had been awarded a CfD.

17 Accounting estimates and judgements

Impairment calculations

The impairment of the Offshore Met Mast was calculated based upon the present expected costs required in order to repair the asset and return it to a state of full functionality.

Impairment of non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is then estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in circumstances that caused the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Capitalisation of Assets

Property, plant & equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The cost of acquisition includes interest on external financing and personnel costs and other internal expenses directly or indirectly related to work in progress accrued solely during the period of construction.

Dismantling and Decommissioning Provision

The company recognises dismantling and decommissioning provisions for property, plant and equipment when a legal or contractual obligation is settled to dismantling and decommissioning those assets at the end of their useful life.

The provisions correspond to the present value of the expenditure expected to be required to settle the obligation and are recognised as part of the initial cost or an adjustment to the cost of the respective asset, being depreciated on a straight line basis over the asset's useful life.

Notes *(continued)*

17 Accounting estimates and judgements *(continued)*

Decommissioning and dismantling provisions are measured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the profit and loss.