

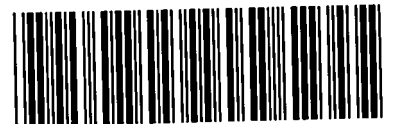
**Moray Offshore Renewables Limited**

**Annual report and financial statements**

**Registered number 07101438**

**31 December 2014**

WEDNESDAY



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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**

- Planning Permission in Principle was granted by Aberdeenshire Council for the Onshore Electrical Infrastructure in September 2014
- Continued with the Procurement Process which will lead to the selection of Contractors required for the construction of the Wind Farm
- Geotechnical & Geophysical Site investigations were carried out offshore for both the Export Cable route and the Wind Farm
- Continued with construction and installation of the Offshore Meteorological Mast ("Offshore Met Mast"). During installation damage occurred to the Offshore Met Mast which continues to be assessed and repaired.
- A bid was submitted for the UK Government's Contract for Difference ("CfD") scheme in December 2014. Receiving a CfD award will secure revenues associated with the project. In February 2015, it was announced that the company was unsuccessful in the first round of CfD awards. It will however look to submit further bids in the next round. As at the date of this report the final dates for the next rounds have yet to be fully confirmed by the UK Government.

### **Proposed dividend**

The directors do not recommend the payment of a dividend. (2013:nil)

### **Directors**

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

JP Nogueira de Sousa Costeira  
E Garcia-Conde Noriega  
R Bonnar  
BJ Rodriguez Sanchez  
A P Collar was appointed as a director on 7 August 2014  
M Dias Amarq appointed as a director on 5 May 2015  
J Cortezon Santaclara resigned as a director on 6 August 2014  
R Teixeira resigned as a director on 5 May 2015

### **Employees**

The company currently has no employees (2013: nil)

### **Political contributions**

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

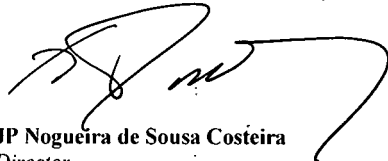
### **Disclosure of information to auditor**

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

28/03/2015

2015

## **Statement of directors' responsibilities in respect of the annual 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.
- The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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 year ended 31 December 2014, set out on pages 5 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](http://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 2014 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.

### **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.
- 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

30.9. 2015

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>£</b>
Administrative expenses		(125,429)	(104,473)
Asset Impairment Loss	5	(3,917,215)	-
		<hr/>	<hr/>
<b>Operating loss</b>	2	<b>(4,042,644)</b>	<b>(104,473)</b>
Interest payable and similar charges	3	(42,433)	(24,798)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		<b>(4,085,076)</b>	<b>(129,271)</b>
		<hr/>	<hr/>
<b>Tax on loss on ordinary activities</b>	4	-	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(4,085,076)</b>	<b>(129,271)</b>
		<hr/> <hr/>	<hr/> <hr/>


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 2014*

	<i>Note</i>	<b>2014</b> £	<b>2013</b> £
<b>Fixed assets</b>			
Tangible assets	5	46,749,216	31,353,060
Investments	6	3	3
		<u>46,749,219</u>	<u>31,353,063</u>
<b>Current assets</b>			
Debtors	7	72,125	232,859
Cash at bank and in hand		1,026,563	1,076,746
		<u>1,098,688</u>	<u>1,309,605</u>
<b>Creditors: amounts falling due within one year</b>	8	(40,320,300)	(23,145,525)
		<u>(40,320,300)</u>	<u>(23,145,525)</u>
<b>Net current liabilities</b>		<b>(39,221,611)</b>	<b>(21,835,920)</b>
		<u>7,527,608</u>	<u>9,517,143</u>
<b>Total assets less current liabilities</b>		<b>7,527,608</b>	<b>9,517,143</b>
<b>Creditors: amounts falling due after more than one year</b>	9	(1,145,785)	(1,145,785)
<b>Provisions for liabilities</b>			
Other provisions	10	(2,095,541)	-
		<u>(2,095,541)</u>	<u>-</u>
<b>Net assets</b>		<b>4,286,282</b>	<b>8,371,358</b>
		<u>4,286,282</u>	<u>8,371,358</u>
<b>Capital and reserves</b>			
Called up share capital	11	8,819,909	8,819,909
Profit and loss account	11	(4,533,627)	(448,551)
		<u>4,286,282</u>	<u>8,371,358</u>
<b>Shareholders' funds</b>		<b>4,286,282</b>	<b>8,371,358</b>
		<u>4,286,282</u>	<u>8,371,358</u>

These financial statements were approved by the board of directors on *28 September* 2015 and were signed on its behalf by:

  
**JP Nogueira de Sousa Costeira**  
*Director*

Company registered number: 07101438

## Statement of Changes in Equity

	<b>Called up Share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 January 2013	8,819,909	(319,280)	8,500,629
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2013	8,819,909	(319,280)	8,500,629
<b>Total comprehensive income for the period</b>			
Loss for the financial year	-	(129,271)	(129,271)
Other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	(129,271)	(129,271)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2013</b>	<b>8,819,909</b>	<b>(448,551)</b>	<b>8,371,358</b>
	<hr/>	<hr/>	<hr/>

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 January 2014	8,819,909	(448,551)	8,371,358
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>			
Loss for the financial year	-	(4,085,076)	(4,085,076)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	(4,085,076)	(4,085,076)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2014</b>	<b>8,819,909</b>	<b>(4,533,627)</b>	<b>4,286,282</b>
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## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Moray Offshore Renewables 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").

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.

In these financial statements, the company has adopted early FRS 101 and for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 17.

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 and in preparing an opening FRS 101 balance sheet at 1 January 2013 for the purposes of the transition to FRS 101.

## 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 16.

#### 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 £39,221,611 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.

#### 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.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

## 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 30 years

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

Plant & equipment refers to the Offshore Met Mast, which incurred delays in installation in the year, and as at the year end date, had not been formally commissioned due to an incident which caused damage to the asset. As at the date of this report, the asset has not been formally commissioned nor is it fully operational therefore no depreciation has been applied.

#### 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.

## Notes (continued)

### 2 Expenses and auditor's remuneration

Included in profit/loss are the following:

Auditor's remuneration:

	2014 £	2013 £
Audit of these financial statements	6,300	6,500
Amounts receivable by the company's auditor and its associates in respect of:		
Other assurance services	1,500	-
	<hr/>	<hr/>

### 3 Interest payable and similar charges

	2014 £	2013 £
Net foreign exchange loss	42,433	24,798
	<hr/>	<hr/>
Total other interest payable and similar charges	42,433	24,798
	<hr/>	<hr/>

### 4 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:

	2014 £	2013 £
Loss on ordinary activities before tax	(4,085,076)	(129,271)
Total tax expense on profit/(loss) on ordinary activities	-	-
	<hr/>	<hr/>
Loss on ordinary activities after tax	(4,085,076)	(129,271)
	<hr/>	<hr/>
Effective Rate	0.0%	0.0%
Tax on loss at standard UK corporation tax rate of 21.49% (2013: 23.25%)	(878,012)	(30,051)
Expenses not deductible for tax purposes	687	683
Amounts not recognised for deferred tax purposes	877,325	29,368
	<hr/>	<hr/>
Total tax expense for the period	-	-
	<hr/>	<hr/>

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

A reduction in the UK corporation tax rate to 21% (effective from 1 April 2014) and a further reduction to 20% (effective from 1 April 2015) were enacted on 17 July 2013. Further reductions in the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 were announced by the Chancellor in the Summer Finance Bill 2015 on 8 July 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

A deferred tax asset amounting to £816,376 (2013: £88,172) 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 £121,105 and an other temporary difference of £695,271. These deferred tax assets have not been recognised due to the uncertainty of the recoverability of these assets at the balance sheet date.

## 5 Tangible fixed assets

	Offshore Met Mast	Wind Farm Asset	
	Plant and equipment £	Under construction £	Total £
<b>Cost</b>			
Balance at 1 January 2014	5,968,890	25,384,170	31,353,060
Other acquisitions	6,785,480	12,527,891	19,313,371
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 December 2014	12,754,370	37,912,061	50,666,431
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation and impairment</b>			
Balance at 1 January 2014	-	-	-
Depreciation charge for the year	-	-	-
Impairment losses	(3,917,215)	-	(3,917,215)
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 December 2014	8,837,155	37,912,061	46,749,216
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>			
At 1 January 2014	5,968,890	25,384,170	31,353,060
	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 2014</b>	<b>8,837,155</b>	<b>37,912,061</b>	<b>46,749,216</b>
	<u>          </u>	<u>          </u>	<u>          </u>

### *Impairment loss and subsequent reversal*

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 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 the above impairment of £3,917,215 in the profit and loss statement.

## Notes (continued)

### 6 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 2014 and 31 December 2014	3	3
	<hr/>	<hr/>

The Company has the following investments in subsidiaries:

	Country of Incorpor- ation	Class of shares held	Ownership	
			2014	2013
Telford Offshore Windfarm Limited	England and Wales	£1 Ordinary Shares	100%	100%
MacColl Offshore Windfarm Limited	England and Wales	£1 Ordinary Shares	100%	100%
Stevenson Offshore Windfarm Limited	England and Wales	£1 Ordinary Shares	100%	100%

### 7 Debtors

	2014 £	2013 £
Other debtors	72,125	232,859
	<hr/>	<hr/>
	72,125	232,859
	<hr/>	<hr/>

### 8 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	812,608	121,727
Amounts owed to group undertakings	26,570,738	15,352,569
Amounts owed to related parties	12,010,938	6,714,539
Other creditors	113,745	203,523
Accruals and deferred income	812,271	753,437
	<hr/>	<hr/>
	40,320,300	23,145,525
	<hr/>	<hr/>

**9 Creditors: amounts falling after more than one year**

	2014 £	2013 £
Accruals and deferred income	1,145,785	1,145,785
	<u>1,145,785</u>	<u>1,145,785</u>

**10 Provisions**

	Decommissioning Provision £
Balance at 1 January 2014	-
Provisions made during the year	2,095,541
<b>Balance at 31 December 2014</b>	<b><u>2,095,541</u></b>

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 lease with The Crown Estate. This provision is expected to be utilised by 2044.

**11 Capital and reserves**

**Share capital**

	2014 £	2013 £
<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.

**12 Contingencies**

The Crown Estate Commissioners hold a (share pledge) fixed charge over the Company's shares and those of its subsidiaries, Telford Offshore Windfarm Limited, MacColl Offshore Windfarm Limited and Stevenson Offshore Windfarm Limited, for all obligations incurred by Moray Offshore Renewables Limited under or in connection with a Zone Development Agreement dated 7 January 2010 (Amended and Restated on 2 October 2014) between Moray Offshore Renewables Limited and The Crown Estate Commissioners

During the year, a Bank Letter of Credit was issued by BNP Paribas dated 11 August 2014 to the benefit of National Grid to the value of £891,879 by way of security for the Cancellation Charge for work done and forecast to be done for the betterment of the MORL project. The Letter of Credit covers the period 1 October 2014 to 31 March 2015.

## Notes (continued)

### 13 Related parties

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

During the year Repsol Moray Firth Limited, a 33.36% shareholder in the company, advanced a loan of £5,296,399 (2013: £2,311,815) to the company. Repsol Nuevas Energias UK Limited recharged staff costs of £67,650 (2013: £220,412) of which £63,176 were capitalised. At the period end £12,010,938 (2013: £6,714,539) 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 £6,044,585 (2013: £1,214,493). EDPR UK Limited also recharged staff costs and charged management fees of £5,123,252 (2013: £3,715,536), of which £5,059,82 were capitalised. At the period end, £26,570,738 (2013: £15,352,569) remains outstanding and is included within 'amounts owned to group undertakings'

### 14 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 Praca Marques de Pombal, 12-4, Lisbon, Portugal. The ultimate controlling party is EDPR UK Limited, 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 Praca Marques de Pombal, 12-4, 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 may be obtained from

<http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx> and <http://www.edpr.com/investors/reports-and-results/company-reports/>

### 15 Subsequent events

Due to achieving Key Projects Consent on 3 December 2014, the fixed charge held by The Crown Estate Commissioners over the 3 subsidiary companies, Telford Offshore Windfarm Limited, MacColl Offshore Windfarm Limited and Stevenson Offshore Windfarm Limited was released on 17 March 2015. The fixed charge over the shares in Moray Offshore Renewables Limited remains in place.

On 5 February 2015 an amended Letter of Credit was issued by BNP Paribas to the benefit of National Grid to the value of £1,488,883 for the period 1 April 2015 to 30 September 2015.

On 21 July 2015 it was announced that Repsol Moray Firth Limited would sell their 33.36% shareholding in MORL to EDPR UK Limited. This will result in MORL becoming a 100% wholly owned subsidiary of EDPR UK Limited. As at the date of signing these accounts, the purchase by EDPR UK Limited is yet to be finalised, pursuant to approval by The Crown Estate.

### 16 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.

Decommissioning and dismantling provisions are remeasured 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.

### **17 Explanation of transition to FRS 101**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 and 16 have been applied in preparing the financial statements for the year ended 31 December 2014, the comparative information presented in these financial statements for the year ended 31 December 2013 and in the preparation of an opening FRS 101 balance sheet at 1 January 2013 (the Company's date of transition).

In preparing its FRS 101 balance sheet, no adjustments were necessary in relation to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance is set out in the following tables and the notes that accompany the tables.

## Notes (continued)

### 17 Explanation of transition to FRS 101 from old UK GAAP (continued)

#### Reconciliation of equity

	Note	1 January 2013			31 December 2013		
		UK GAAP	Effect of transition to FRS 101	FRS 101	UK GAAP	Effect of transition to FRS 101	FRS 101
		£	£	£	£	£	£
<b>Fixed assets</b>							
Tangible fixed assets		24,227,650	-	24,277,650	31,353,060	-	31,353,060
Investments		3	-	3	3	-	3
		<u>24,227,653</u>	<u>-</u>	<u>24,277,653</u>	<u>31,353,063</u>	<u>-</u>	<u>31,353,063</u>
<b>Current assets</b>							
Debtors		49,523	-	49,523	232,859	-	232,859
Cash at bank and in hand		155,068	-	155,068	1,076,746	-	1,076,746
		<u>204,591</u>	<u>-</u>	<u>204,591</u>	<u>1,309,605</u>	<u>-</u>	<u>1,309,605</u>
<b>Creditors: amounts due within one year</b>							
Trade creditors		(187,286)	-	(187,286)	(121,727)	-	(121,727)
Amounts owed to parent company		(10,236,070)	-	(10,236,070)	(15,352,569)	-	(15,352,569)
Amounts owed to related parties		(4,221,271)	-	(4,221,271)	(6,714,539)	-	(6,714,539)
Other creditors		-	-	-	(203,253)	-	(203,253)
Accruals and deferred income		(191,202)	-	(191,202)	(753,437)	-	(753,437)
		<u>(14,835,829)</u>	<u>-</u>	<u>(14,835,829)</u>	<u>(23,145,525)</u>	<u>-</u>	<u>(23,145,525)</u>
<b>Net current liabilities</b>		<u>(14,631,238)</u>	<u>-</u>	<u>(14,631,238)</u>	<u>(21,835,920)</u>	<u>-</u>	<u>(21,835,920)</u>
<b>Total assets less current liabilities</b>		<u>9,646,415</u>	<u>-</u>	<u>9,616,415</u>	<u>9,517,143</u>	<u>-</u>	<u>9,517,143</u>
<b>Creditors: amounts falling due after more than one year</b>							
Accruals and deferred income		(1,145,785)	-	(1,145,785)	(1,145,785)	-	(1,145,785)
		<u>8,500,629</u>	<u>-</u>	<u>8,500,629</u>	<u>8,371,358</u>	<u>-</u>	<u>8,371,358</u>
<b>Net assets</b>		<u>8,500,629</u>	<u>-</u>	<u>8,500,629</u>	<u>8,371,358</u>	<u>-</u>	<u>8,371,358</u>
<b>Capital and reserves</b>							
Called up share capital		8,819,909	-	8,819,909	8,819,909	-	8,819,909
Profit and loss account		(319,280)	-	(319,280)	(448,551)	-	(448,551)
		<u>8,500,629</u>	<u>-</u>	<u>8,500,629</u>	<u>8,371,358</u>	<u>-</u>	<u>8,371,358</u>
<b>Shareholders' equity</b>		<u>8,500,629</u>	<u>-</u>	<u>8,500,629</u>	<u>8,371,358</u>	<u>-</u>	<u>8,371,358</u>

#### Notes to the reconciliation of equity

a) No adjustments were necessary in relation to amounts reported previously in accordance with the old basis of accounting (UK GAAP) for the transition to FRS 101.

## Notes (continued)

### 17 Explanation of transition to FRS 101 (continued)

#### Reconciliation of loss for 2013

		Year ended 31 December 2013	
	Note	UK GAAP £	FRS 101 £
Administrative expenses		(104,473)	(104,473)
<b>Operating loss</b>		<b>(104,473)</b>	<b>(104,473)</b>
Interest payable		(24,798)	(24,798)
<b>Loss on ordinary activities before taxation</b>		<b>(129,271)</b>	<b>(129,271)</b>
Tax on loss on ordinary activities		-	-
<b>Loss for the financial year</b>		<b>(129,271)</b>	<b>(129,271)</b>

#### Notes to the reconciliation of loss

- a) No adjustments were necessary in relation to amounts reported previously in accordance with the old basis of accounting (UK GAAP) for the transition to FRS 101.