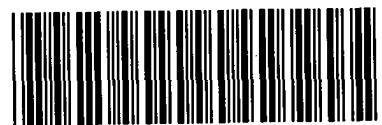


Registered Number: 07103802

Celtic Array Limited

**Annual report and Financial Statements
For the year ended 31 December 2013**

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Celtic Array Limited

Annual report and Financial Statements for the year ended 31 December 2013

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Celtic Array Limited

Directors' report for the year ended 31 December 2013

The Directors present their report and the audited consolidated financial statements of Celtic Array Limited ("the Company") for the year ended 31 December 2013.

Future developments

The principal activity of the Company and its subsidiary ("the Group") during the year is the development of offshore wind farms. Future developments are commented on in the Strategic report on page 4.

Financial risk management

The Directors have established objectives and policies for managing financial risks to enable the Group to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Group's business:

- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits.
- Cash forecasts identifying the liquidity requirements of the Group are produced frequently and reviewed regularly.
- Liquidity risk is managed through funding arrangements with the shareholders.

The Group did not take part in hedging of any kind (2012: £nil).

Results and dividends

The results of the Group are set out on page 8. The consolidated loss for the financial year ended 31 December 2013 is £637,000 (2012: loss of £824,000).

No dividends were paid during the year (2012: £nil) and the Directors do not recommend the payment of a final dividend (2012: £nil).

Financial position

The financial position of the Company and of the Group is presented in the balance sheet on page 9. Shareholders' funds of the Company at 31 December 2013 were £47,525,000 (2012: £46,162,000) and of the Group were £47,525,000 (2012: £46,162,000).

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to guarantees provided by group companies of the ultimate parent undertakings, Centrica plc and DONG Energy A/S.

Celtic Array Limited

Directors' report for the year ended 31 December 2013 (continued)

Directors

The following served as Directors during the year and up to the date of signing the financial statements:

	Appointed	Resigned
H L Borg (alternate to P A H Pedersen)		7 August 2013
T F Brostrøm (alternate to P A H Pedersen)	7 August 2013	
T Hinton		12 August 2013
J K Holst (alternate to B J Sykes)		
R M McCord (alternate to T Hinton)		12 August 2013
R M McCord	12 August 2013	
P A H Pedersen		
S P Redfern		
B J Sykes		
R F Tyreman (alternate to S P Redfern)		

Directors' and officers' liability

The ultimate parent undertakings, Centrica plc and DONG Energy A/S, have provided Directors' and officers' liability insurance for their respective appointees. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Post balance sheet events

Post balance sheet events are commented on in the Strategic report on page 4.

Statement of Directors' responsibilities

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, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Celtic Array Limited

Directors' report for the year ended 31 December 2013 (continued)

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Independent auditors

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

This Directors' report was approved by the Board on 23 September 2014.



For and on behalf of:
Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 07103802

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Celtic Array Limited

Strategic report for the year ended 31 December 2013

The Directors present the Strategic report of Celtic Array Limited for the year ended 31 December 2013.

Review of business

The principal activity of the Company and its subsidiary is the development of offshore wind farms.

During the year the Group continued to develop the Irish Sea Zone ("the Zone") and progress the South-East area, known as Rhiannon wind farm. The Group operates under a joint venture structure, utilising resource from both parent undertakings.

The project continued to progress throughout the year under review, with regular communication to key stakeholders and the public. Offshore saw significant work completed for the Environmental Impact Assessment, which was intended to be utilised for the second stage of consultation. Onshore works saw the final two landfall sites being selected and communication initiated with the land owners.

Subsequent to the year-end an in-depth feasibility assessment was conducted on the development work to date for each of the areas comprising the Zone. This assessment confirmed that challenging ground conditions exist throughout the Zone such that it is not economically viable to proceed with the project using current technology.

In light of this conclusion the Company decided not to proceed with any further development work. Further, on 31 July 2014 agreement was reached with The Crown Estate to end the development agreement for the Zone and hence terminate the Company's seabed rights.

As a result of the 2014 feasibility assessment and the resulting termination to the Company's rights to develop the Zone, the costs incurred in respect of the development, which are presented as intangible assets in the balance sheet, will need to be written off in the 2014 year. Further, the Company will now seek to close-out all contracts and outstanding obligations with its service providers, crystallising any liabilities for settlement.

At the current time, the Directors have made no further decision with regard to the future of the Company.

Post balance sheet events are discussed further in note 21.

Within the year the Company's shareholders, Centrica Renewable Energy Limited and DONG Energy Wind Power Holdings A/S, each subscribed at par for 1,000,000 ordinary shares of £1 each in the Company.

Subsequent to the date of these financial statements the Company's shareholders, Centrica Renewable Energy Limited and DONG Energy Wind Power Holdings A/S, each subscribed at par for a further 3,450,000 ordinary shares of £1 each in the Company.

Celtic Array Limited

Strategic report for the year ended 31 December 2013 (continued)

Principal risks and uncertainties

Risks are formally reviewed and appropriate processes are put in place to monitor and mitigate them.

The principal risks and uncertainties facing the Group are those relating to the project, including consents, engineering and commercial viability.

The first stage of consultation for the Rhiannon wind farm site took place in 2012 with the second stage of statutory consultation taking place in 2014. In addition to the consultation stages, engagement continued with key stakeholders, including the public, land owners, local government and regulators, in order to discuss proposals and provide an opportunity for open dialogue.

Development work was planned and conducted to target known risks, identify key constraints & impacts and to determine feasibility. Development work therefore aimed to progressively crystallise the risks and remove the uncertainties relating to the project.

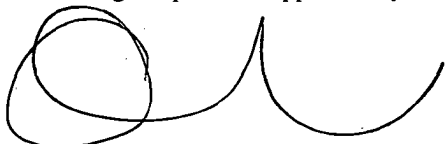
The results of the Group's development activities, including the feasibility assessment, are described above.

Financial risk management and a description of the financial risks applicable to the Company' are commented on in the Directors' report on page 1.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary or appropriate for an understanding of the development, performance or position of the business.

This Strategic report was approved by the Board on 23 September 2014.



For and on behalf of:
Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales No. 07103802

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Celtic Array Limited

Independent auditors' report to the members of Celtic Array Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2013 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group and parent company financial statements, which are prepared by Celtic Array Limited, comprise:

- the Group and Company Balance sheets as at 31 December 2013;
- the Consolidated Profit and loss account for the year then ended;
- the Consolidated Cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report and Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Celtic Array Limited

Independent auditors' report to the members of Celtic Array Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2 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 ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Sam Taylor (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
September 2014

Celtic Array Limited

Consolidated profit and loss account for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Administrative expenses		(637)	(824)
Loss on ordinary activities before taxation	3	<u>(637)</u>	<u>(824)</u>
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	14	<u><u>(637)</u></u>	<u><u>(824)</u></u>

The Group has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial years stated and their historical cost equivalents.

All activities relate to continuing operations.

The notes on pages 11 to 20 form part of these financial statements.

Celtic Array Limited

Balance sheets as at 31 December 2013

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Fixed assets					
Intangible assets	8	48,199	37,932	48,199	37,932
Investments	9	-	-	-	-
		<u>48,199</u>	<u>37,932</u>	<u>48,199</u>	<u>37,932</u>
Current assets					
Debtors - amounts falling due within one year	10	327	7,331	327	7,331
Cash at bank and in hand		<u>1,228</u>	<u>8,728</u>	<u>1,228</u>	<u>8,728</u>
		1,555	16,059	1,555	16,059
Creditors - amounts falling due within one year	11	(2,229)	(7,829)	(2,229)	(7,829)
Net current (liabilities) / assets		(674)	8,230	(674)	8,230
Total assets less current liabilities		<u>47,525</u>	<u>46,162</u>	<u>47,525</u>	<u>46,162</u>
Net assets		<u>47,525</u>	<u>46,162</u>	<u>47,525</u>	<u>46,162</u>
Capital and reserves					
Called up share capital	13	51,269	49,269	51,269	49,269
Profit and loss account	14	(3,744)	(3,107)	(3,744)	(3,107)
Total shareholders' funds	15	<u>47,525</u>	<u>46,162</u>	<u>47,525</u>	<u>46,162</u>

The notes on pages 11 to 20 form part of these financial statements.

The financial statements on pages 8 to 20 were approved and authorised for issue by the Board of Directors on 23 September 2014 and were signed on its behalf by:

Director

Director

Registered Number: 07103802

Celtic Array Limited

Consolidated cash flow statement for the year ended 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Net cash inflow / (outflow) from operating activities	16		3,572		(4,914)
Capital expenditure and financial investment					
Purchase of intangible assets		(13,072)		(22,257)	
Net cash outflow for capital expenditure and financial investment			(13,072)		(22,257)
Net cash outflow before use of liquid resources and financing			(9,500)		(27,171)
Management of liquid resources					
Financing					
Proceeds of issuance of ordinary shares	13	2,000		49,269	
Reduction in amounts owed to Centrica group undertakings		-		(13,370)	
Net cash inflow from financing			2,000		35,899
(Decrease) / increase in net cash			(7,500)		8,728

The notes on pages 11 to 20 form part of these financial statements.

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013

1 Principal accounting policies

Accounting principles

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with United Kingdom Accounting Standards and the Companies Act 2006. The principal accounting policies are set out below.

Accounting policies have been applied consistently, other than where new policies have been adopted.

Basis of preparation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. Each company in the Group has adopted the same accounting policies and they are applied uniformly across the Group. All intra-group transactions and profits are eliminated in full on consolidation.

The subsidiary undertaking Rhiannon Wind Farm Limited was incorporated on 11 October 2012 and the first set of financial statements have been prepared for the 15 month period to 31 December 2013.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to guarantees provided by group companies of the ultimate parent undertakings, Centrica plc and DONG Energy A/S.

Intangible assets

Intangible assets are included in the balance sheet at historic cost, less any provisions for impairment. Intangible assets comprise capitalised development consents, zone development agreements and associated costs.

Investment in subsidiary undertakings

Fixed asset investments are shown at cost less any provision for impairment. Investments consist of equity interests in subsidiaries.

Impairment

At each balance sheet date the Group and the Company reviews if there has been an indication that an asset has been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Foreign currency

The financial statements of the Group and the Company are presented in pounds sterling, which is the functional currency of the Company and its subsidiary. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date, and movements are included in the profit and loss account.

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

1 Principal accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 Segmental reporting

The Group's activities consist solely of developing offshore wind farms and occur wholly within the United Kingdom.

3 Loss on ordinary activities before taxation

Auditors' remuneration was £10,000 (2012: £9,700) and relates to fees for the audit of the UK GAAP statutory financial statements of the Company and the consolidated financial statements.

4 Directors' emoluments

The aggregate emoluments paid to Directors in respect of their qualifying services is £nil (2012: £nil). The Company is a jointly controlled entity and the Directors are nominated by the joint venturers. Accordingly no emoluments are paid for their services to the Company.

5 Employee information

The Group and the Company had no employees and no staff costs (2012: £nil).

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

6 Losses of parent company

A loss of £637,000 (2012: £824,000) is dealt with in the financial statements of Celtic Array Limited. The loss on ordinary activities before taxation was £637,000 (2012: £824,000).

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone.

7 Tax on loss on ordinary activities

	2013 £000	2012 £000
(a) Analysis of tax charge for the year		
The tax charge comprises:		
Current tax:		
United Kingdom corporation tax at 23.25% (2012: 24.5%)	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Total tax on loss on ordinary activities	-	-

(b) Factors affecting the tax charge for the year

The tax assessed for the financial year differs from that calculated at the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £000	2012 £000
Loss on ordinary activities before taxation	(637)	(824)
Tax on loss on ordinary activities at standard UK corporation tax rate of 23.25% (2012: 24.5%)	(148)	(202)
Effects of:		
Losses carried forward	148	59
Centrica plc group relief for nil consideration	-	143
Total current tax charge for the year	-	-

Centrica plc group relief relates to the period prior to the formation of the joint venture on 30 April 2012.

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. Further reductions to reduce the rate to 21% from 1 April 2014 and to 20% by 1 April 2015 were substantively enacted in Finance Act 2013 on 2 July 2013 and have been reflected within these financial statements.

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

8 Intangible assets

Group and Company	Agreements, consents, and associated costs £000
Cost	
At 1 January 2013	37,932
Additions	<u>10,267</u>
At 31 December 2013	<u>48,199</u>
Net book value	
At 31 December 2013	<u>48,199</u>
At 31 December 2012	<u>37,932</u>

Intangible assets comprise capitalised development consents, zone development agreements and associated costs.

Subsequent to the year-end an in-depth feasibility assessment was conducted of the development work to date for each of the areas comprising the Zone. This assessment confirmed that challenging ground conditions exist throughout the Zone such that it is not economically viable to proceed with the project using current technology.

As a result of the 2014 feasibility assessment and the resulting termination to the Company's rights to develop the Zone, the intangible asset value will be impaired in 2014 to write-down the entire value incurred to date.

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

9 Investments

Company	Investment in subsidiary £
Cost	
At 1 January 2013	1
Additions	-
At 31 December 2013	1
Net book value	
At 31 December 2013	1
At 31 December 2012	1

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

At 31 December 2013, the Company held an interest in the issued share capital of the following undertaking, which has been consolidated in these financial statements:

Principal subsidiary undertaking	Country of incorporation	Class of share capital held	Proportion of share capital held	Nature of business
Rhiannon Wind Farm Limited	England & Wales	Ordinary	100%	Development of an offshore wind farm

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10 Debtors - amounts falling due within one year

	Group	Group	Company	Company
	2013	2012	2013	2012
	£000	£000	£000	£000
Amounts owed by parent undertakings	-	4,286	-	4,286
VAT recoverable	327	3,045	327	3,045
	<u>327</u>	<u>7,331</u>	<u>327</u>	<u>7,331</u>

Amounts owed by parent undertakings in 2012 were interest-free, unsecured and repayable on demand.

11 Creditors – amounts falling due within one year

	Group	Group	Company	Company
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade creditors	952	98	952	98
Accruals	1,277	7,731	1,277	7,731
	<u>2,229</u>	<u>7,829</u>	<u>2,229</u>	<u>7,829</u>

12 Deferred taxation

The deferred corporation tax provision / (asset) at 23% (2012: 23%) is analysed as follows:

	Provided		Unprovided	
	At 31	At 31	At 31	At 31
	December	December	December	December
	2013	2012	2013	2012
	£000	£000	£000	£000
Deferred corporation tax				
- losses	-	-	(176)	(55)
	<u>-</u>	<u>-</u>	<u>(176)</u>	<u>(55)</u>

A deferred tax asset of £176,000 (2012: £55,000) has not been recognised on the basis that there is insufficient evidence that the asset will be recoverable.

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

13 Called up share capital

Company and Group	2013 £	2012 £
Allotted and fully paid		
51,268,988 (2012: 49,268,988) ordinary shares of £1 each	<u>51,268,988</u>	<u>49,268,988</u>

On 13 December 2013, the Company's shareholders, Centrica Renewable Energy Limited and DONG Energy Wind Power Holdings A/S, each subscribed at par for 1,000,000 ordinary shares of £1 each in the Company.

Subsequent to the date of these financial statements the Company's shareholders, Centrica Renewable Energy Limited and DONG Energy Wind Power Holdings A/S, each subscribed at par for a further 3,450,000 ordinary shares of £1 each in the Company.

14 Profit and loss account

Group	Profit and loss account £000	Total £000
At 1 January 2013	(3,107)	(3,107)
Loss for the financial year	<u>(637)</u>	<u>(637)</u>
At 31 December 2013	<u>(3,744)</u>	<u>(3,744)</u>

Company	Profit and loss account £000	Total £000
At 1 January 2013	(3,107)	(3,107)
Loss for the financial year	<u>(637)</u>	<u>(637)</u>
At 31 December 2013	<u>(3,744)</u>	<u>(3,744)</u>

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

15 Reconciliation of movements in shareholders' funds / (deficit)

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Opening shareholders' funds / (deficit)	46,162	(2,283)	46,162	(2,283)
Issue of share capital (note 13)	2,000	49,269	2,000	49,269
Loss for the financial year (note 14)	(637)	(824)	(637)	(824)
Closing shareholders' funds	<u>47,525</u>	<u>46,162</u>	<u>47,525</u>	<u>46,162</u>

16 Net cash flow from operating activities

	2013 £000	2012 £000
Operating loss	(637)	(824)
Decrease / (increase) in debtors	4,286	(4,286)
(Decrease) / increase in creditors	(77)	196
Net cash inflow / (outflow) from operating activities	<u>3,572</u>	<u>(4,914)</u>

17 Reconciliation of net debt

	2013 £000	2012 £000
Net cash / (debt) at 1 January	8,728	(13,370)
(Decrease) / increase in net cash	(7,500)	8,728
Decrease in borrowings	-	13,370
Net cash at 31 December	<u>1,228</u>	<u>8,728</u>

	As at 1 January 2013 £000	Cash flow £000	As at 31 December 2013 £000
Cash at bank and in hand	8,728	(7,500)	1,228
Net cash	<u>8,728</u>	<u>(7,500)</u>	<u>1,228</u>

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

18 Contingent liabilities

A fixed charge has been granted over the shares, and any rights associated with the shares, of the Company's subsidiary Rhiannon Wind Farm Limited. The charge has been granted to The Crown Estate Commissioners to secure all obligations and liabilities of Rhiannon Wind Farm Limited in connection with the lease of the Irish Sea Zone ("the Zone") by The Crown Estate, together with all obligations and liabilities of the Company under the Zone Development Agreement with The Crown Estate.

Subsequent to the year-end, agreement was reached with The Crown Estate to end the Zone Development Agreement and as a result the charge granted over the shares of Rhiannon Wind Farm Limited was released.

19 Capital commitments

The Company's contracted commitments at the end of the year, for which no provision has been made, were £11,000,000 (2012: £12,125,000) and relate to achieving planning consent on the first wind farm project within the Irish Sea Zone.

Following the decision in 2014 to end development of the Irish Sea Zone, the Company is seeking commercial settlements to close-out all remaining future contractual commitments.

20 Related parties

As the subsidiary of the Group is wholly owned by Celtic Array Limited, the Group is taking advantage of the exemptions within FRS 8 from disclosure of transactions with other Group companies. The Group has entered into transactions with related parties who are not members of the Group.

Centrica Renewable Energy Limited and DONG Energy Wind Power Holdings A/S are considered to be related parties as they are the Company's immediate parent undertakings.

DONG Energy Wind Power A/S is considered to be a related party as it is a member of a group that is considered to be one of the ultimate controlling parties of the Company.

During the year, the Company incurred costs in relation to managerial and support services provided by Centrica Renewable Energy Limited and DONG Energy Wind Power A/S.

	Purchase of managerial and support services	
	2013	2012
Purchase transactions with related parties for the year were:	£000	£000
Centrica Renewable Energy Limited	(3,712)	(3,561)
DONG Energy Wind Power A/S	(1,311)	(461)
 Balances outstanding with related parties at 31 December were:		
Amounts owed (to) / by related parties	2013	2012
	£000	£000
Centrica Renewable Energy Limited	-	4,286
DONG Energy Wind Power A/S	(97)	-

Celtic Array Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

21 Post balance sheet events

Subsequent to the year-end an in-depth feasibility assessment was conducted on the development work to date for each of the areas comprising the Zone. This assessment confirmed that challenging ground conditions exist throughout the Zone such that it is not economically viable to proceed with the project using current technology.

In light of this conclusion, the Company decided not to proceed with any further development work. Further, on 31 July 2014 agreement was reached with The Crown Estate to end the development agreement for the Zone and hence terminate the Company's seabed rights.

As a result of the 2014 feasibility assessment and the resulting termination to the Company's rights to develop the Zone, the costs incurred in respect of the development, which are presented as intangible assets in the balance sheet, will need to be written-off in the 2014 year. Further, the Company will now seek to close-out all contracts and outstanding obligations with its service providers, crystallising any liabilities for settlement. These settlements should close-out all remaining future contractual commitments.

The financial effect in the 2014 financial statements of the asset impairment and the settlement of all outstanding liabilities is expected to be a charge to the Profit and loss account of approximately £56 million.

At the current time, the Directors have made no further decision with regard to the future of the Company.

22 Ultimate parent undertakings

The Company's immediate parent undertakings were Centrica Renewable Energy Limited (50%), a company registered in England and Wales, and DONG Energy Wind Power Holdings A/S (50%), a company registered in Denmark.

The Company's ultimate parent undertakings and controlling parties were Centrica plc, a company registered in England and Wales, and DONG Energy A/S, a company registered in Denmark. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com. Copies of the DONG Energy A/S consolidated financial statements may be obtained from the Company Secretary at DONG Energy A/S, Kraftværksvej 53, Skærbæk, 7000 Fredericia, Denmark.