

**Directors' Report and Financial
Statements**

Scira Offshore Energy Limited

31 December 2011

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Scira Offshore Energy Limited

Registered No 5119310

DIRECTORS

Knut M Aanstad	(Resigned 27 January 2011)
Bjørn Ivar Bergemo	
Halfdan Brustad	(Appointed 27 January 2011)
Bjørn Drangsholt	
Synnøve Helland	(Appointed 27 January 2011, Resigned 28 May 2012)
Olav Hetland	
Anne S Lycke	(Resigned 27 January 2011)
Eivind Jakob Torblaa	
Sverre Trollnes	(Appointed 28 May 2012)

SECRETARY

Carine Smith Ihenacho	(Resigned 25 January 2012)
Adele Os	(Appointed 25 January 2012)

AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

SOLICITORS

Norton Rose
3 More London Riverside
London
SE1 2AQ

REGISTERED OFFICE

One Kingdom Street
London
W2 6BD

Scira Offshore Energy Limited

DIRECTORS' REPORT

The directors present their report with the financial statements of the Company for the year ended 31 December 2011

RESULTS AND DIVIDENDS

The loss for the year after taxation was £7,835k (2010 £2,777k) No dividends were declared or paid in the year ended 31 December 2011 (2010 £nil)

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year under review was that of a wind energy developer and operator

REVIEW OF THE BUSINESS

The Company's sole activity is the development and operation of the Sheringham Shoal Offshore Wind Farm project which involves all activities related to planning and execution of the wind farm. This includes the design, procurement, construction, commissioning, start-up and operation of all offshore and onshore facilities. The project is being scheduled for completion in late 2012 with the sale of the Offshore Transmission Assets (OFTO) taking place in early 2013.

The wind farm is located between 17 and 23 kilometres (10 to 15 miles) off the Norfolk coast north of Sheringham and Cromer, on the border of international waters. The diamond-shaped wind farm will cover approximately 35 square kilometres (13 square miles) and will consist of 88 wind turbines on foundations fixed to the seabed, one onshore substation and two offshore substations generating an estimated annual output of 1.1 TWh (terawatt hours).

By the end of 2011, construction was well under way with all offshore foundations in place and onshore work complete. A total of 21 wind turbines were erected of which nine were connected to the grid and generating output. The sale of transmission assets (onshore and offshore substations and export cables) to the Offshore Transmission Owner (OFTO) as required under legislation will take place in early 2013.

Production of electricity started 2 August 2011. The production build up was however hampered by poor weather during the second half of the year impacting on both the wind turbine generator (WTG) installation and the project completion activities. The total production for 2011 was 20 GWh which was sold at the system sell price. Scira was registered for Levy Exemption Certificates (LEC) from 2 September, with Renewable Obligation Certificate (ROC) registration commencing in optimum tranches with the first tranche effective from January 2012.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks that face the Company in the course of conducting its business operations. Although not exhaustive, the following highlights the principal issues.

The nature of operations exposes the Company to health, safety, security and environment (HSSE) risks. For 2011 this was very much related to installation activities offshore, involving operations of many marine vessels, a high number of offshore heavy lifts, transport and landing of personnel at the marine installation sites, and work on high voltage systems. Statoil, as manager for the Company, has been the principal contractor for the marine installation and commissioning work, and since August also for the marine cable installations. Power generation from the first turbine started in August and gradually operations and maintenance has become an activity in parallel with installation and commissioning. The manager's organisation has been strengthened to meet this new phase of the project, and all structures and procedures are in place to handle these risks and to meet the requirements of UK legislation. Necessary training and qualification programmes are in place.

The project implementation has faced delays throughout 2011 in respect of which the main mitigating activity has been to secure additional wind turbine generator installation capacity, with deployment of the installation vessel Sea Jack in the period September 2011-January 2012, and subsequently the installation vessel Leviathan from March 2012.

There is also a risk for slower production build up than anticipated due to the new technology involved with this activity. The risk is handled by appropriate planning processes, use of experiences from the wind turbine generator service provider and the operational experience from the owners' organisations.

FUTURE DEVELOPMENTS

According to the current plan, all wind turbines will be completed by the end of September 2012. Statoil, as manager for the development and construction phase, will terminate its agreement with Scira three months after the last wind turbine generator is commissioned at which point day to day operations of the wind farm will be handed over to Scira.

The regulated sale of the transmission asset to an Offshore Transmission Owner (OFTO) is anticipated to be concluded early in 2013.

CREDITORS PAYMENT POLICY AND PRACTICE

The Company's current policy concerning the payment of the majority of its trade creditors and other suppliers is to

- adhere to terms laid out using accepted industry standards,
- settle the terms of payment with those non-counterparty creditors/suppliers when agreeing the terms of each transaction,
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts,
- pay in accordance with its contractual and other legal obligation.

In 2011, the Company had an average of 17 days' purchases outstanding in trade creditors.

GOING CONCERN

The directors of the Company consider that the Company has adequate financial resources to continue operating for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company. This is based on continued availability of financial support from shareholders when it is required.

DIRECTORS' REPORT (CONTINUED)

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

UK charitable donations in 2011 amounted to £5,692 (2010 - £nil) No contributions were made to a political party during the year

POST BALANCE SHEET REVIEW

A new credit facility was signed in January 2012 and drawn down in February 2012 The details of which are disclosed in note 10

DIRECTORS AND THEIR INTERESTS

The directors who served the Company during the year and changes since 31 December 2011 are listed on page 1 None of the directors at any time during the period ended 31 December 2011 had any beneficial interest in the shares or debentures of the Company

None of the directors at any time during the period ended 31 December 2011 had any material interest in any contracts with the Company

DIRECTORS' INDEMNITY PROVISION

During the period under review, the Company had in force an indemnity provision in favour of one or more of the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

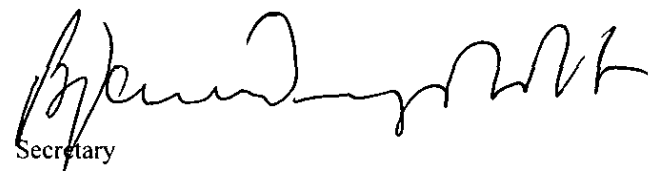
Having made inquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

A recommendation to appoint KPMG as the new auditor of Scira will be placed before shareholders by written resolution

By order of the Board of Directors



Secretary

Date 30/8/12

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 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 Company and of the profit or loss of the Company for that period. In preparing those 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 are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the requirements, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIRA OFFSHORE ENERGY LIMITED

We have audited the financial statements of Scira Offshore Energy Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. 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).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its loss 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.

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.

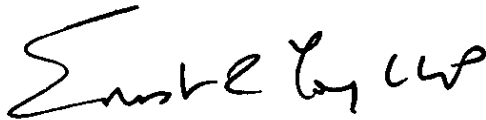
Scira Offshore Energy Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIRA OFFSHORE ENERGY LIMITED

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



Ernst & Young LLP

London

Date 4.9.12

Scira Offshore Energy Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> £'000	<i>2010</i> £'000
TURNOVER	3	824	–
COST OF SALES		(2,611)	–
GROSS LOSS		(1,787)	–
ADMINISTRATIVE EXPENSES		(11,220)	(4,645)
Foreign exchange gains		197	1,927
OPERATING LOSS	4	(12,810)	(2,718)
Interest payable and similar charges	5	(822)	(16)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(13,632)	(2,734)
Taxation	6	5,797	(43)
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(7,835)	(2,777)

All operations are derived from continuing operations in both the current and preceding year

There are no recognised gains or losses attributable to the shareholders of the Company other than the net loss of £7,835k for the year ended 31 December 2011 (year ended 31 December 2010 £2,777k)
Accordingly, no statement of total recognised gains and losses has been prepared

Movements on reserves are set out in note 13

Notes 1 to 21 form part of these financial statements

Scira Offshore Energy Limited

BALANCE SHEET at 31 December 2011

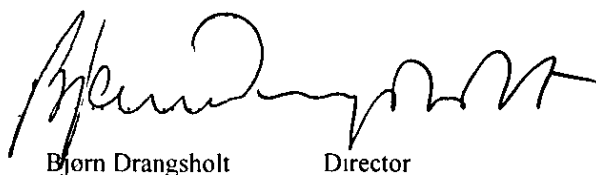
Registered number 5119310

	Notes	2011 £'000	2010 £'000
FIXED ASSETS			
Tangible fixed assets	7	703,785	507,252
CURRENT ASSETS			
Deferred tax	6	5,797	-
Debtors	8	18,917	28,142
Other current assets	9	162,248	-
Cash at bank and in hand		25,186	27,437
		<u>212,148</u>	<u>55,579</u>
CREDITORS amounts falling due within one year	10	(672,152)	(321,201)
NET CURRENT LIABILITIES		<u>(460,004)</u>	<u>(265,622)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>243,781</u>	<u>241,630</u>
Provisions for liabilities and charges	11	(26,421)	(16,435)
NET ASSETS		<u>217,360</u>	<u>225,195</u>
CAPITAL AND RESERVES			
Called up share capital	12	238,123	238,123
Share premium account		1,000	1,000
Profit and loss account	13	(21,763)	(13,928)
EQUITY SHAREHOLDER'S FUNDS		<u>217,360</u>	<u>225,195</u>

Approved by the Board of Directors on

30/8/12

2012 and signed on their behalf by



Bjørn Drangsholt

Director

Scira Offshore Energy Limited

CASH FLOW STATEMENT at 31 December 2011

	<i>Notes</i>	<i>2011 £'000</i>	<i>2010 £'000</i>
Net cash outflow from operating activities	17A	(11,471)	(3,115)
Returns on investments and servicing of finance			
Interest paid		(8)	(16)
Taxation			
Corporation tax		(81)	(9)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(322,317)	(315,284)
Net cash outflow before management of liquid resources and financing		(333,877)	(318,424)
Financing activities			
Issue of ordinary share capital		-	100,000
Loans received		331,626	135,062
Net decrease in cash		(2,251)	(83,362)
Cash and cash equivalents at the beginning of the year		27,437	110,799
Cash and cash equivalents at the end of the year		25,186	27,437

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2011

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of preparation

The financial statements are prepared under the historical cost accounting convention in accordance with applicable UK accounting standards. On the basis of current financial projections, available facilities and the continued financial support from the Company's shareholders, it is expected that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Company has adopted the going concern basis in preparing the financial statements.

Turnover

Turnover relates to the sale of electricity at the System Sell Price together with sales of Levy Exemption Certificates.

Turnover is stated net of value added tax (VAT).

Tangible Fixed Assets

Expenditure on tangible fixed assets is capitalised in the month in which it is incurred. The Company undertakes a review for impairment of the costs capitalised if events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount that is the higher of net realisable value and value in use, the fixed asset costs are written down to their recoverable amount.

Depreciation

While under construction, tangible fixed assets are not depreciated but are tested for impairment annually. Once construction of each batch of ten turbines is complete and are in production, the turbines within each batch will be depreciated over their useful economic lives.

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

1 ACCOUNTING POLICIES (CONTINUED)

Taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is more likely than not. Current tax is provided at amounts to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Foreign currencies

The Company's presentation and functional currency is pounds sterling.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and expensed over the period during which the Company is expected to benefit. Provision is made for any impairment.

Capitalisation of interest

In accordance with FRS 15 Tangible fixed assets, all borrowing costs that are directly attributable to the construction of the wind farm are capitalised subject to the provision that the total amount of interest capitalised does not exceed the total finance cost for the period.

Once construction of each batch of ten turbines is substantially complete, capitalisation of finance costs relating to that batch will cease.

Decommissioning provision

Provision has been made for the estimated net present cost of decommissioning production and transportation facilities at the end of their producing lives. The timing of decommissioning payments are dependent on the life of the wind farm but are anticipated to occur 24 years after production commences. A corresponding tangible fixed asset is also created of an amount equal to the provision. This asset will be depreciated over the production phase of the project.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured at the fair value of consideration received plus accrued interest.

Prepayments and accruals

On a monthly basis, construction progress is compared to amounts invoiced by suppliers. Any differences are recorded as either prepayments, included in debtors or accruals, included in creditors.

Financing

On a monthly basis, supplier payment forecasts are prepared. Based on this information, drawdown amounts and currencies are determined according to the terms of the parent companies loan agreement detailed in note 10.

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

Leased assets

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease even if payments are not made on such a basis

2. STAFF COSTS

	2011 £'000	2010 £'000
Wages and salaries	396	-
Social security costs	38	-
Other pension costs	9	-
	<u>443</u>	<u>-</u>

The average number of employees during the year was 8 (2010 – nil) All employees are employed in operative and direct support functions

The directors did not receive, nor were due, any remuneration in respect of their services to the Company in either year

3. TURNOVER

Turnover is in relation to income from generation of wind-powered electricity, and is stated net of VAT

4. OPERATING LOSS

The operating loss is stated after charging

	2011 £'000	2010 £'000
Audit and assurance related services remuneration	42	49
Operating leases	440	-
Foreign exchange loss	197	1,927
	<u></u>	<u></u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000	2010 £'000
Miscellaneous interest payable	-	1
Bank interest payable	4	1
Interest payable to shareholders	-	14
Bank charges	4	-
Other finance expenses unwinding of discount	814	-
	<u>822</u>	<u>16</u>

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

6 TAX

a) Tax on profit on ordinary activities

	2011 £'000	2010 £'000
<i>Current tax</i>		
Corporation tax on income for the period at 26.5% (2010 - 28%)	-	43
Total current tax	-	43
<i>Deferred tax</i>		
Deferred corporation tax – current year movement	(3,409)	-
Deferred corporation tax – prior year movement	(2,388)	-
Total deferred tax	(5,797)	-
Tax on loss on ordinary activities	(5,797)	43

Deferred tax is calculated at a rate of 25% as this is the rate at which it is expected to reverse

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are reconciled below

	2011 £'000	2010 £'000
Loss on ordinary activities before taxation	(13,632)	(2,734)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2009 – 28%)	(3,612)	(766)
Capitalised interest income	-	43
Pre-trading expenses	-	2,383
Utilisation of pre-trading expenses upon commencement of trading	(4,036)	-
Tax relief on capitalised interest	(1,955)	(1,617)
Capital allowances in excess of depreciation	(15,210)	-
Losses carried forward	24,813	-
Total current tax (note 6a)	-	43

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

6. TAX (CONTINUED)

c) Deferred tax	2011 £'000	2010 £'000
Deferred tax	5,797	-
The deferred tax in the balance sheet is made up, as follows		
Tax losses	23,409	-
Accelerated capital allowances	(14,349)	-
Included in capitalised interest	(3,263)	-
Total deferred tax	5,797	-

At 31 December 2010, a deferred tax asset of £2,388k had not been recognised as the entity had not yet started earning income from its activities

This deferred tax was recognised in 2011, once the Company started to generate revenue taxable profits and future taxable profits became probable

d) Factors that may affect future tax charges

The standard rate of corporation tax in the UK will fall from 26% to 24% from 1 April 2012, with further reductions potentially being introduced to reduce the rate to 22% by 2014, although neither reduction has been enacted into law at the date of signing the accounts. This expected rate change will affect the amount of future cash tax payments to be made by the Company. A reduction in the corporation tax rate to 25% from 1 April 2012 was substantively enacted at the balance sheet date and as such the deferred tax balances are provided in the financial statements at 25%

7. TANGIBLE FIXED ASSETS

	Assets under construction £'000
Cost and net book value	
At 1 January 2011	507,252
Additions	358,781
Transfer to other current assets (note 9)	(162,248)
At 31 December 2011	703,785

The transfer to other current assets relates to transmission assets that will be sold to the Offshore Transmission Owner (OFTO) in 2013

Included in assets under construction are the following amounts relating to capitalised decommissioning costs

Net book value	£'000
At 1 January 2011	16,435
Additions	2,172
At 31 December 2011	18,607

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

7. FIXED ASSETS (CONTINUED)

The aggregate amount of capitalised interest to 31 December 2011 was £13,054k (£5,679k to 31 December 2010). The capitalisation rate in 2011 was 100% (2010 100%).

No depreciation has been charged to the 2011 profit and loss account as the construction of the wind farm and the first batch of ten turbines was not complete as at 31 December 2011.

Depreciation is not charged in respect of the OFTO (Offshore Transmission Owner) assets as these assets will be sold during 2013.

Included in fixed assets at 31 December 2010 was £118m relating to the OFTO assets (refer to note 9).

8 DEBTORS

	2011 £'000	2010 £'000
VAT recoverable	5,058	1,204
Prepayments	12,495	25,862
Deposits	1,076	1,076
Trade debtors – third party	25	-
Amounts recoverable from related parties (note 14)	225	-
Corporation tax recoverable	38	-
	<u>18,917</u>	<u>28,142</u>

9 OTHER CURRENT ASSETS – FALLING DUE AFTER ONE YEAR

	2011 £'000	2010 £'000
OFTO assets (refer to note 7)	<u>162,248</u>	<u>-</u>

10 CREDITORS: amounts falling due within one year

	2011 £'000	2010 £'000
Accruals	9,109	12,867
Amounts due to related parties (note 14)	2,427	1,547
Corporation tax	-	43
Trade creditors	16,678	2,066
Shareholders' loan – Statoil ASA	321,969	152,339
Shareholders' loan – Statkraft Group	321,969	152,339
	<u>672,152</u>	<u>321,201</u>

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

10 CREDITORS: amounts falling due within one year (continued)

In January 2012, the Company signed a Short Term Credit Facility Agreement (STCFA) with Statoil Coordination Center NV and Statkraft Treasury Centre SA. This replaced a previous STCFA which expired in January 2012. According to the terms of the STCFA, the Company can borrow a total amount up to £820m from its lenders Statoil Coordination Center NV and Statkraft Treasury Centre SA. The total outstanding amount (including capitalised interest) at 31 December 2011 was £643,938k.

Details of the STCFA are as follows:

Facility Start Date	15 Feb 2012
Facility End Date	1 Feb 2013
Interest Rate	The aggregate of (i) The Margin, and (ii) One month London Inter Bank Offered Rate ("LIBOR") for GBP, as published by British Bankers Association (BBA) and displayed by REUTERS at or about 11.00 a.m. European Middle Time, set two working days before the start of the interest period
Margin	0.875 % p.a.
Interest Period	1 month, starting on disbursement date of the first advance

Borrowing costs for the year associated with the above (and previous) facilities was £7,634k (2010: £5,622k). This amount was capitalised to tangible fixed assets. The Company is currently in the process of establishing long term financing arrangements for the post construction phase in conjunction with its shareholders.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Decommissioning</i>	<i>Other</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2011	16,435	-	16,435
Arising during the year	2,172	7,000	9,172
Unwinding of discount	814	-	814
At 31 December 2011	19,421	7,000	26,421

12. SHARE CAPITAL

	<i>Allotted, called up and fully paid</i>	
	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Ordinary shares of £1 each	238,123	238,123

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

13. RESERVES

	<i>Profit & loss account</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Total Shareholders' funds</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2011	(13,928)	238,123	1,000	225,195
Loss for the year	(7,835)	-	-	(7,835)
At 31 December 2011	(21,763)	238,123	1,000	217,360

14. RELATED PARTIES

During the year the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into and balances outstanding at 31 December are as follows:

	<i>Sales to related party</i>	<i>Purchases from related party</i>	<i>Amounts owed by related party</i>	<i>Amounts owed to related party</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Statoil ASA				
-2011	399	30,951	81	324,382
-2010	-	23,185	-	153,677
Statoil (UK) Limited				
-2011	-	1,011	144	-
-2010	-	275	-	208
Statoil Exploration (Ireland) Limited				
-2011	-	39	-	-
-2010	-	-	-	-
Statkraft Development AS				
-2011	-	84	-	-
-2010	-	26	-	-
Statkraft Treasury Centre SA				
-2011	-	-	-	321,969
-2010	-	-	-	152,339
Statkraft UK Limited				
-2011	399	1,179	-	1,200
-2010	-	73	-	-
Statkraft Energy Limited				
-2011	-	1,013	-	18
-2010	-	168	-	-

Scira Offshore Energy Limited is 50% owned by Statkraft UK Limited and 50% owned by Statoil Petroleum AS.

Statoil Petroleum AS is a wholly owned subsidiary of Statoil ASA, as are Statoil (UK) Limited and Statoil Exploration (Ireland) Limited.

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

14 RELATED PARTIES (CONTINUED)

Statkraft Energy Limited, Statkraft UK Limited, Statkraft Development AS and Statkraft Treasury Centre AS are wholly owned subsidiaries of Statkraft AS

During the year Scira Offshore Energy purchased goods and services from Statoil and Statkraft group companies, as per the table above

The services provided by Statkraft UK Limited and Statkraft Development AS related to the provision of personnel Statkraft Energy Limited provided operations' services

The services provided by Statoil UK Limited related to the provision of personnel Statoil ASA provided both personnel services and the reimbursement of costs incurred for goods bought on behalf of Scira Offshore Energy Limited

During the year, 50% of the energy generated by Scira Offshore Energy Limited was sold to Statoil ASA The remaining 50% was sold to Statkraft UK Limited

15 LEASE OBLIGATIONS

The future minimum lease payments to which the Company is committed as at the year end were as follows

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases due to expire				
Within one year	55	16	903	451
Between two and five years	88	27	3,610	3,610
After more than five years	1,252	108	38,708	39,610
	<u>1,395</u>	<u>151</u>	<u>43,221</u>	<u>43,671</u>

Lease payments under the Crown Estate lease in respect of the rental of the sea bed on which the wind farm is located are included at the minimum level stipulated in the lease The overall rental liability in future years will be variable based on production output

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Opening shareholders' funds	225,195	127,972
Loss for the financial year	(7,835)	(2,777)
Increase in share capital	-	100,000
Closing shareholders' funds	<u>217,360</u>	<u>225,195</u>
Equity interests	<u>217,360</u>	<u>225,195</u>

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

17. NOTES TO THE STATEMENT OF CASH FLOWS

17A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES:

	2011 £'000	2010 £'000
Operating loss	(12,810)	(2,718)
Increase in debtors	(250)	(500)
Increase in creditors	1,589	103
Net cash outflow from operating activities	(11,471)	(3,115)

17B ANALYSIS OF NET DEBT:

	2011 £'000	2010 £'000
Cash at bank and in hand at 1 January	27,437	110,799
Decrease in cash at bank and in hand	(2,251)	(83,362)
Cash at bank and in hand at 31 December	25,186	27,437
Loans at 1 January	(304,678)	(169,616)
Increase in loans	(339,260)	(135,062)
Loans at 31 December	(643,938)	(304,678)
Net debt at 1 January	(277,241)	(58,817)
Cash flow	(341,511)	(218,424)
Net debt at 31 December	(618,752)	(277,241)

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2011

17C. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT:

	2011 £'000	2010 £'000
Decrease in cash	(2,251)	(83,362)
Cash inflow in loans	(339,260)	(135,062)
Change in net debt resulting from cash flows	(341,511)	(218,424)
Net debt at 1 January	(277,241)	(58,817)
Net debt at 31 December	(618,752)	(277,241)

18. CAPITAL COMMITMENTS

The Company had specific commitments contracted for but not provided in the financial statements, as follows

	2011 £000	2010 £000
Construction of wind turbine generators and associated assets	212,739	521,050

19. FINANCIAL INSTRUMENTS

The Company's financial instruments principally comprised of the STCFA (refer to note 10). The main purpose of financial instruments, where the Company has had them, is to provide finance for the Company's operations.

Financial assets and liabilities

The Company's policy is to ensure that adequate cash or intercompany funding is available. The Company does not trade in financial instruments and has not entered into any derivative transactions.

Liquidity risks

Liquidity risk arises from the Company's management of working capital and is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash forecasts and plans are updated frequently and reviewed regularly by management and the Board. The Company has short term borrowings, as described in note 10. All loans are repayable on demand.

Interest rate risk profile of financial assets

Cash at bank, where it exists, earns interest at floating rates related to the published rate of the bank. The intercompany loans and receivables are non-interest bearing financial liabilities and assets.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2011

19. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Cash and treasury credit risks, where the Company has available funds to deposit, are mitigated through the exclusive use of institutions that carry acceptable published credit ratings so as to minimise counterparty risk. All intercompany borrowings are non-interest bearing and are repayable on demand.

Capital Management

The Company's capital is managed on a joint basis by the management of the Company. The Company monitors its funding requirements biannually in order to evaluate the adequacy for any future requirements.

20. CONTINGENCIES

The Company is currently in dispute over the value of work done by a major supplier. It is not possible to determine the outcome of the dispute at this time.

21. POST BALANCE SHEET EVENTS

The Company signed a new Short Term Credit Facility Agreement in January 2012 which was drawn down in February 2012 (see note 10).