

**Directors' Report and Financial
Statements**

Scira Offshore Energy Limited

31 December 2012

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COMPANIES HOUSE

Scira Offshore Energy Limited

Registered No 5119310

DIRECTORS

Bjørn Ivar Bergemo	(Resigned 14 February 2013)
Halfdan Brustad	(Resigned 25 October 2012)
Bjørn Drangsholt	
Siri Espedal Kindem	(Appointed 25 October 2012)
Synnøve Helland	(Resigned 28 May 2012)
Olav Hetland	
Eivind Jakob Torblaa	
Sverre Trollnes	(Appointed 28 May 2012)
Tarald Gjerde	(Appointed 14 February 2013)

SECRETARY

Carine Smith Ihenacho	(Resigned 1 January 2012)
Adele Os	(Appointed 1 January 2012, Resigned 14 February 2013)
Duncan Forsyth	(Appointed 14 February 2013)

AUDITOR

KPMG LLP
6 Lower Brook Street
Ipswich
Suffolk
IP4 1AP

SOLICITORS

Norton Rose
3 More London Riverside
London
SE1 2AQ

REGISTERED OFFICE

Wind Farm Place
Edgar Road
Walsingham
Norfolk
NR22 6EJ

Scira Offshore Energy Limited

DIRECTORS' REPORT

The directors present their report with the financial statements of Scira Offshore Energy Ltd ("the Company") for the year ended 31 December 2012

RESULTS AND DIVIDENDS

The profit for the year after taxation was £7,203k (2011 £7,835k loss) No dividends were declared or paid in the year ended 31 December 2012 (2011 £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

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 covers approximately 35 square kilometres (13 square miles) and consists of 88 wind turbines on foundations fixed to the seabed, one onshore substation and two offshore substations. The first full year of production will be 2013 during which production is estimated to be 1.1 TWh (terawatt hours).

By the end of October 2012, construction was complete and full production and generation to the grid was in progress. By the end of 2012, local management and specialised staff together with the infrastructure required for the long term operation and maintenance of the wind farm was fully in place and functional. The Development Construction Management Agreement (DCMA) with Statoil as principal contractor was terminated on 11 January 2013 (three months after the last wind turbine generator was commissioned) following which the local team assumed full responsibility for operations.

The regulated sale of transmission assets (onshore and offshore substations and export cables) to the Offshore Transmission Owner (OFTO) as required under legislation was completed during July 2013.

The financial results reflect the transitional nature of activities during the year with final construction completion together with gradually increasing production output as each wind turbine generator (WTG) was commissioned. The total production for 2012 was 554 GWh.

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 environmental (HSSE) risks. For 2012 this related to installation activities offshore which involved 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 in addition to operational activities which involved transport and access to the WTGs and substation, and work on high voltage systems.

Statoil, as manager for the Company, has been the principal contractor for the marine installation and commissioning work. The number of commissioned WTGs generating to the grid increased from nine at the beginning of 2012 to the full contingent of 88 WTGs by the end of October with operations occurring in parallel with installation and commissioning. During this period the organisation has been structured to address the parallel nature of activities with appropriate structures and procedures in place to handle these risks and to meet the requirements of UK legislation. Some of the final construction related activities including rectification work to address certain issues associated with foundation design remain to be completed although it is unlikely that these will affect production output.

The operational organisation that has assumed responsibility with effect from 12 January 2013 for operation and maintenance of the wind farm is structured to meet all commercial and operational needs together with compliance with UK legislation.

The Company sells power based on a recognised index (power sales in 2012 were at the System Sell Price) and is exposed to price variations that occur within the index. In addition, as the value of the Renewable Obligation Certificate (ROC) Recycle Fund in respect of the 2012/2013 obligation period is not published until quarter 4 2013, the Company is exposed to the risk that the fund value when published will be lower than anticipated.

The risk of lower than anticipated production owing to the unpredictable nature of wind as a resource is mitigated by appropriate planning processes to ensure that wind turbine generator availability for production is maximised during periods of high mean wind speed. To further facilitate this, extensive experience is also gained from the WTG service provider together with operational experience from the owners' organisations.

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.

DIRECTORS' REPORT (CONTINUED)

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, and
- pay in accordance with its contractual and other legal obligation

In 2012, the Company had an average of 11 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.

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

UK charitable donations in 2012 amounted to £21,480 (2011 £5,692). No contributions were made to a political party during the year.

POST BALANCE SHEET REVIEW

A new long term credit facility was signed in December 2012 and drawn down during January 2013 details of which are disclosed in note 9.

The Short Term Bridge Credit Facility Agreement (STBCFA) which commenced on 2 May 2012 and which is disclosed in note 9 was cancelled and replaced by a new Short Term Bridge Credit Facility which was in turn repaid in full during July 2013.

The regulated sale of the transmission assets to an Offshore Transmission Owner (OFTO) was completed during July 2013.

DIRECTORS AND THEIR INTERESTS

The directors who served the Company during the year and changes since 31 December 2012 are listed on page 1. None of the directors at any time during the period ended 31 December 2012 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 2012 had any material interest in any contracts with the Company.

DIRECTORS' REPORT (CONTINUED)

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 enquiries of fellow directors and of the Company's auditor, 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

AUDITOR

During the year Ernst & Young resigned as auditor and KPMG LLP were appointed. The reappointment of KPMG LLP as auditor will be placed before the board at the forthcoming general meeting at which this report and financial statements are presented.

By order of the Board of Directors



Secretary

Date 14 AUGUST 2013

Scira Offshore Energy Limited

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 shareholders of Scira Offshore Energy Limited

We have audited the financial statements of Scira Offshore Energy Limited for the year ended 31 December 2012, set out on page 9 to 23. 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. As set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit 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

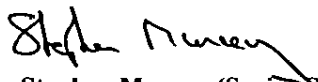
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the shareholders of Scira Offshore Energy Limited *(continued)*

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Stephen Muncey (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

6 Lower Brook Street

Ipswich

Suffolk

IP4 1AP

Date 14 August 2013

Scira Offshore Energy Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

	<i>Notes</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
TURNOVER	3	67,244	824
COST OF SALES		(32,709)	(2,611)
GROSS PROFIT / (LOSS)		34,535	(1,787)
ADMINISTRATIVE EXPENSES		(18,366)	(11,220)
Foreign exchange gains		102	197
OPERATING PROFIT / (LOSS)	4	16,271	(12,810)
Interest receivable and similar income	5A	65	-
Interest payable and similar charges	5B	(7,117)	(822)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		9,219	(13,632)
Taxation	6	(2,016)	5,797
PROFIT / (LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		7,203	(7,835)

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 profit of £7,203k for the year ended 31 December 2012 (year ended 31 December 2011 £7,835k loss)
Accordingly, no statement of total recognised gains and losses has been prepared

Movements on reserves are set out in note 12

Notes on page 12 to 23 form part of these financial statements

Scira Offshore Energy Limited

BALANCE SHEET at 31 December 2012

Registered number 5119310

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible fixed assets	7	1,306,907	866,033
CURRENT ASSETS			
Deferred tax	6	3,781	5,797
Debtors	8	44,955	18,917
Cash at bank and in hand		58,212	25,186
		<u>106,948</u>	<u>49,900</u>
CREDITORS amounts falling due within one year	9	(872,327)	(672,152)
NET CURRENT LIABILITIES		<u>(765,379)</u>	<u>(622,252)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>541,528</u>	<u>243,781</u>
Provisions for liabilities and charges	10	(107,965)	(26,421)
NET ASSETS		<u>433,563</u>	<u>217,360</u>
CAPITAL AND RESERVES			
Called up share capital	11	447,123	238,123
Share premium account	12	1,000	1,000
Profit and loss account	12	(14,560)	(21,763)
SHAREHOLDER'S FUNDS		<u>433,563</u>	<u>217,360</u>

Approved by the Board of Directors on *14 AUGUST* 2013 and signed on their behalf by



Siri Espedal Kindem Director

Scira Offshore Energy Limited

CASH FLOW STATEMENT

at 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Net cash inflow / (outflow) from operating activities	16A	472	(11,471)
Returns on investments and servicing of finance			
Interest received / (paid)		59	(8)
Taxation			
Corporation tax paid		(26)	(81)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(350,140)	(322,317)
Net cash outflow before management of liquid resources and financing		(349,635)	(333,877)
Financing activities			
Issue of ordinary share capital		209,000	-
Loans received		173,661	331,626
Net increase / (decrease) in cash		33,026	(2,251)
Cash and cash equivalents at the beginning of the year		25,186	27,437
Cash and cash equivalents at the end of the year		58,212	25,186

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

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 are depreciated over their estimated useful economic lives of 24 years.

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.

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

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 9

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

	2012 £'000	2011 £'000
Wages and salaries	606	396
Social security costs	71	38
Other pension costs	29	9
	<u>706</u>	<u>443</u>

The average number of employees during the year was 12 (2012: 8). 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

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

3. TURNOVER

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

4. OPERATING PROFIT / (LOSS)

The operating profit / (loss) is stated after charging / (crediting)

	2012 £'000	2011 £'000
Audit and assurance related services remuneration	32	42
Operating leases	1,086	440
Foreign exchange gains	(102)	(197)
Depreciation	22,510	-
	<u>22,510</u>	<u>-</u>

5A. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Bank interest receivable	65	-
	<u>65</u>	<u>-</u>

5B. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
Bank interest payable	1	4
Interest payable on parent company loans	5,848	-
Bank charges	-	4
Other finance expenses unwinding of discount	1,268	814
	<u>7,117</u>	<u>822</u>

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

6. TAX

a) Tax on profit on ordinary activities

	2012 £'000	2011 £'000
<i>Current tax</i>		
Corporation tax on income for the period at 24.5% (2011: 26.5%), (note 6b)	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Deferred corporation tax – current year movement	4,936	(3,409)
Deferred corporation tax – prior year movement	(3,384)	(2,388)
Impact of rate change	464	-
Total deferred tax	2,016	(5,797)
Tax on profit / (loss) on ordinary activities	2,016	(5,797)

Deferred tax is calculated at a rate of 23% (2011: 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 lower than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below

	2012 £'000	2011 £'000
Profit / (loss) on ordinary activities before taxation	9,219	(13,632)
Profit / (loss) on ordinary activities multiplied by standard rate of		
Corporation tax in the UK of 24.5% (2011: 26.5%)	2,259	(3,612)
Disallowable expenses	311	-
Utilisation of pre-trading expenses upon commencement of trading	-	(4,036)
Tax relief on capitalised interest	(1,740)	(1,955)
Difference between capital allowances and depreciation	4,800	(15,210)
Losses carried forward	(5,630)	24,813
Total current tax (note 6a)	-	-

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

6. TAX (CONTINUED)

c) Deferred tax	2012 £'000	2011 £'000
Deferred tax	3,781	5,797

The deferred tax in the balance sheet is made up, as follows

Tax losses	3,931	23,409
Accelerated capital allowances	4,403	(14,349)
Included in capitalised interest	(4,553)	(3,263)
Total deferred tax	3,781	5,797

d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

7. TANGIBLE FIXED ASSETS

	Wind farm assets £'000
Cost	
At 1 January 2012	866,033
Additions	463,384
At 31 December 2012	1,329,417
Depreciation	
At 1 January 2012	-
Provided during the year	(22,510)
At 31 December 2012	(22,510)
Net book value	
At 31 December 2012	1,306,907
At 1 January 2012	866,033

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

7. TANGIBLE FIXED ASSETS (CONTINUED)

In 2011, the transmission assets were classified as current assets. In 2012, the prior year comparatives have been reclassified to show these assets within tangible fixed assets as this better reflects the nature of the assets. The transmission assets were sold to an Offshore Transmission Owner (OFTO) in July 2013 and it is intended that this will be subsequently treated as a finance lease to reflect the substance of the transaction. The assets will therefore remain in fixed assets.

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

Net book value	£'000
At 1 January 2012	18,607
Additions	84,576
Depreciation	(914)
At 31 December 2012	102,269

The aggregate amount of capitalised interest to 31 December 2012 was £20,157 (£13,054k to 31 December 2011). The capitalisation rate in 2012 was 54.8% (2011: 100%).

8. DEBTORS

	2012 £'000	2011 £'000
Trade debtors – third party	-	25
Amounts recoverable from related parties (note 13)	4,079	225
Prepayments and accrued income	39,662	12,495
VAT recoverable	71	5,058
Corporation tax recoverable	64	38
Other debtors	3	-
Deposits	1,076	1,076
	<u>44,955</u>	<u>18,917</u>

9. CREDITORS amounts falling due within one year

	2012 £'000	2011 £'000
Accruals	37,736	9,109
Amounts due to related parties (note 14)	741	2,427
Trade creditors	3,282	16,678
Shareholders' loan – Statoil ASA	415,272	321,969
Shareholders' loan – Statkraft Group	415,272	321,969
Other taxation and social security	24	-
	<u>872,327</u>	<u>672,152</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

Amounts due in respect of shareholder's loans relate to the Short Term Credit Facility Agreement (STCFA) which commenced on 15 February 2012, together with the Short Term Bridge Credit Facility Agreement (STBCFA) which commenced on 2 May 2012

In December 2012, the Company signed a Long Term Credit Facility Agreement (LTCFA) with Statoil Coordination Center NV and Statkraft Treasury Centre SA. The LTCFA was drawn down in January 2013 and was used to repay the STCFA. According to the terms of the LTCFA, the Company can borrow a total amount of £690m from its lenders with Statoil Coordination Center NV and Statkraft Treasury Centre SA. The total amount drawn down on 25 January 2013 was £656m.

Details of the LTCFA are as follows

Facility Start Date	21 Dec 2012
Facility End Date	21 Dec 2020
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	2.3 % p.a.
Interest Period	1 month, starting on the date of disbursement of the first advance

The Short Term Bridge Credit Facility Agreement was cancelled and replaced by a new Short Term Bridge Credit Facility dated 23 April 2013 which was in turn repaid in full during July 2013.

Borrowing costs for the year associated with the STCFA (and previous) facilities was £12,945k (2011: £7,634k). The amount relating to assets under construction was capitalised with the remainder relating to assets in production charged to the profit and loss account.

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

10. 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 2012	19,421	7,000	26,421
Arising during the year	84,576	2,700	87,276
Utilised during the year	-	(7,000)	(7,000)
Unwinding of discount	1,268	-	1,268
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2012	105,265	2,700	107,965
	<u> </u>	<u> </u>	<u> </u>

11. SHARE CAPITAL

	<i>Allotted, called up and fully paid 2012 £'000</i>
Ordinary shares of £1 each	
At 1 January 2012	238,123
Issued during the year	209,000
	<u> </u>
At 31 December 2012	447,123
	<u> </u>

During the year 209,000,000 ordinary shares of £1 each were issued at par value

12. 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 2012	(21,763)	238,123	1,000	217,360
Profit for the year	7,203	-	-	7,203
Share issue	-	209,000	-	209,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2012	(14,560)	447,123	1,000	433,563
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

13. 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>
	£'000	£'000	£'000	£'000
Statoil ASA				
-2012	33,622	32,911	–	668
-2011	399	30,951	81	2,413
Statoil Co-ordination Center SA				
-2012	–	–	–	415,272
-2011	–	–	–	321,969
Statoil (UK) Limited				
-2012	–	529	–	29
-2011	–	1,011	144	–
Statoil Exploration (Ireland) Limited				
-2012	–	1	–	–
-2011	–	39	–	–
Statoil Petroleum AS				
-2012	–	28	–	–
-2011	–	–	–	–
Statoil Development AS				
-2012	–	57	–	44
-2011	–	84	–	–
Statkraft Treasury Centre SA				
-2012	–	–	–	415,272
-2011	–	–	–	321,969
Statkraft UK Limited				
-2012	33,622	1,909	4,079	–
-2011	399	1,179	–	1,200
Statkraft Energy Limited				
-2012	–	843	–	–
-2011	–	1,013	–	18

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, Statoil Exploration (Ireland) Limited, Statoil Petroleum AS and Statoil Co-ordination Center SA

Statkraft Energy Limited, Statkraft UK Limited, Statkraft Development AS and Statkraft Treasury Centre SA 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

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

13. RELATED PARTIES (CONTINUED)

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.

14. 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>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Operating leases due to expire		
Within one year	972	958
Between two and five years	969	3,698
After more than five years	40,659	39,960
	<u>42,600</u>	<u>44,616</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.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
Opening shareholders' funds	217,360	225,195
Profit / (loss) for the financial year	7,203	(7,835)
Increase in share capital	209,000	-
Closing shareholders' funds	<u>433,563</u>	<u>217,360</u>

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

16. NOTES TO THE STATEMENT OF CASH FLOWS

16A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES:

	2012 £'000	2011 £'000
Operating profit / (loss)	16,271	(12,810)
Increase in debtors	(41,679)	(250)
Increase in creditors	3,370	1,589
Depreciation	22,510	-
Net cash inflow / (outflow) from operating activities	472	(11,471)

16B. ANALYSIS OF NET DEBT:

	2012 £'000	2011 £'000
Cash at bank and in hand at 1 January	25,186	27,437
Increase / (decrease) in cash at bank and in hand	33,026	(2,251)
Cash at bank and in hand at 31 December	58,212	25,186
Loans at 1 January	(643,938)	(304,678)
Increase in loans	(186,606)	(339,260)
Loans at 31 December	(830,544)	(643,938)
Net debt at 1 January	(618,752)	(277,241)
Cash flow	(153,580)	(341,511)
Net debt at 31 December	(772,332)	(618,752)

16C. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT:

	2012 £'000	2011 £'000
Increase / (decrease) in cash	33,026	(2,251)
Cash inflow in loans	(186,606)	(339,260)
Change in net debt resulting from cash flows	(153,580)	(341,511)
Net debt at 1 January	(618,752)	(277,241)
Net debt at 31 December	(772,332)	(618,752)

Scira Offshore Energy Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

17. CAPITAL COMMITMENTS

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

	2012 £000	2011 £000
Construction of wind turbine generators and associated assets	75,452	212,739

18. FINANCIAL INSTRUMENTS

The Company's financial instruments principally comprised of the STCFA (refer to note 9) 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

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

19. 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