

BLUE TRANSMISSION

Blue Transmission Walney 2 (Holdings) Limited

Annual Report and Financial Statements 2013/14

Registered in England and Wales Company number 07795885

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Company Information

The board of directors	Michele Armanini	
	Andrew Clapp	Resigned 24 October 2013
	Makoto Hattori	Resigned 23 May 2013
	Masami Saeki	Appointed 23 May 2013, Resigned 4 March 2014
	Masanori Kohama	
	Gary Thornton	Appointed 5 March 2014
	Graham Farley	Appointed 5 March 2014

Company secretary Infrastructure Managers Limited

Registered office CMS Cameron McKenna LLP
Northwest Wing
Bush House
Aldwych
London
WC2B 4EZ

Auditor PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Solicitors Allen and Overy
1-10 Bishops Square
London
E1 6AD

Strategic Report

For the year ended 31 March 2014

The Directors present their strategic report of the Company for the year ended 31 March 2014

Principal objectives and strategies

The principal objective of the Company is as a holding company

The Company holds 100% of the ordinary shares of Blue Transmission Walney 2 Limited ("BTW2"), its sole subsidiary undertaking. In addition, it holds an investment in unsecured loan notes issued by BTW2 which are described further under "Returns from Subsidiary Undertaking" in the directors' report

Review of the Business

The Company's sole expenses comprise the interest expense on the loan notes it has issued to Blue Transmission Investments which are described further under "Returns from Subsidiary Undertaking" in the directors' report

Future Developments

The Directors intend for the business to continue to operate in line with the contractual terms and do not expect any strategic changes

Key Performance Indicators

Key performance indicators are considered inappropriate for this Company. The performance of the subsidiary from a cash perspective is assessed on a quarterly basis by the testing of the covenants of the senior debt provider, the key indicator being the debt service cover ratio. The subsidiary has been performing well and has been compliant with the covenants laid out in the loan agreement. The performance of the Company is monitored against those KPIs of the subsidiary. Such KPIs include financial and non-financial KPIs.

Principal Risks and Uncertainties

Mitigation of all financial risks are addressed by the subsidiary. Due to the pass-through nature of this Company there are no risks to its financial performance.

By order of the Directors



M. Armanini,

Director

25 June 2014

Directors' Report

For the year ended 31 March 2014

Country of Registration and Principal Activity

The Company is registered in England and Wales and its principal activity is as a holding company

The principal activity of BTW2 is to provide an electricity transmission service to National Grid Electricity Transmission plc ("NGET") - the electricity transmission system operator for Great Britain. BTW2 owns and operates a transmission system that electrically connects an offshore wind farm generator to the onshore distribution system operated by Electricity North West ("ENW")

The Company's Financial Position

The result for the year amounted to £nil

The Company's income for the year ended 31 March 2014 relates to the interest that was receivable in respect of the loan notes held in BTW2

The Company's sole expenses comprise the interest expense on the loan notes it has issued to Blue Transmission Walney 2 Investments Limited ("BTW2I") – see "Parent Undertaking" below

The Directors do not propose a dividend

Directors

The Directors serving throughout the year and subsequently (unless otherwise indicated) are listed within Company Information on page 1

Directors' and Officers' liability insurance cover is arranged

Parent undertaking

Blue Transmission Walney 2 (Holdings) Limited is a wholly owned subsidiary undertaking of Blue Transmission Walney 2 Investments Limited (BTW2I). BTW2I is incorporated in Jersey. The ultimate parent undertaking is Blue Transmission Investments Limited (BTI). BTI is also incorporated in Jersey

In addition to the Company being a wholly owned subsidiary of BTI, the Company has issued unsecured loan notes in amounts and on terms that are identical to those unsecured RPI-linked loan notes issued to the Company by BTW2. A description of the unsecured loan notes issued by BTW2 are described below under "Returns from Subsidiary Undertaking"

Returns from Subsidiary Undertaking

On 3 October 2012, Blue Transmission Walney 2 Limited issued £17,325k unsecured 9.9% Loan Notes 2032 to the Company. During the year ended 31 March 2014, the Company repaid £1,269k (2013: £nil) of principal and £1,790k (2013: £nil) of interest. In addition, a further £279k of interest has been added to the carrying value of the loan (2013: £nil) in accordance with the terms of the loan. The principal amount outstanding at 31 March 2014 was £16,335k (2013: £17,325k) and is included within "Investments in Subsidiary Undertaking" in the balance sheet

Donations and research and development

No charitable or political donations were made during the year (2013: £nil) and expenditure on research and development activities was £nil (2013: £nil)

Directors' Report (continued)

For the year ended 31 March 2014

Financial instruments

With the exception of the Company's equity and loan investments in BTW2 and loan liability to its parent undertaking, the Company has no other financial instruments

Going concern

Having made enquiries, the Directors consider that the Company has adequate resources to continue in business for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company

Future developments

The Directors expect the Company to continue its activities as a holding company for the foreseeable future

Employee involvement

The Company does not have any employees, and does not expect to engage any employees in the foreseeable future

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware, and each Director has taken all reasonable steps to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information

Annual General Meeting

Notice of the Group's Annual General Meeting for 2014 will be issued separately to shareholders

Approved on behalf of the Board



M. Armanini,

Director

25 June 2014

Blue Transmission Walney 2 (Holdings) Limited
CMS Cameron McKenna LLP
Northwest Wing
Bush House
Aldwych
London
WC2B 4EZ

Statement of Directors' responsibilities

For the year ended 31 March 2014

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union 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

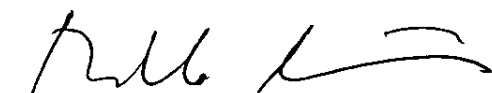
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In accordance with Section 418 of the Companies Act 2006, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board



M. Armanini

Director,

25 June 2014

Independent Auditors' Report to the members of Blue Transmission Walney 2 (Holdings) Limited

For the year ended 31 March 2014

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 Company's affairs as at 31 March 2014 and of its result and cash flows for the year then ended,

have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, 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 financial statements, which are prepared by Blue Transmission Walney 2 (Holdings) Limited, comprise

the balance sheet as at 31 March 2014,

the income statement for the year then ended,

the statement of cash flows for the year then ended,

the statement of changes in equity for the year then ended,

the accounting policies, and

the notes to the financial statements, which include other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union

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

Independent Auditors' Report to the members of Blue Transmission Walney 2 (Holdings) Limited (continued)

For the year ended 31 March 2014

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 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 Strategic Report and the directors 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 matters prescribed by the Companies Act 2006

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

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 to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Independent Auditors' Report to the members of Blue Transmission Walney 2 (Holdings) Limited (continued)

For the year ended 31 March 2014

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 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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



Caroline Roxburgh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

27 June 2014

Accounting policies

A. Basis of preparation of financial statements under IFRS

These financial statements have been prepared in accordance with IFRS as issued by the IASB and as adopted by the European Union. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for period ended 31 March 2014, and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on an historical cost basis. The financial statements are presented in pounds sterling, which is the functional currency of the Company and are rounded to the nearest £1,000.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets, and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The Company is exempt from preparing group financial statements as it and its subsidiary are included by consolidation in the Group financial statements of Blue Transmission Investments Limited.

B. Investments in Subsidiary Undertaking

The investments in Subsidiary Undertaking comprise the Company's investments in the ordinary shares and loan receivables due from its subsidiary undertaking. These investments are financial instruments and are classified as 'Investments in Subsidiary Undertaking'.

The loan receivable is recognised at fair value and is subsequently measured at amortised cost, using the effective interest rate method, less any appropriate allowances for estimated irrecoverable amounts.

The Company investment in the ordinary shares of its subsidiary undertaking is carried at cost less any appropriate allowance for impairment.

A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the terms of the loan will not be collected or where there are indications of impairment in the case of the investment in the ordinary shares of the subsidiary undertaking. Indications that the loan receivable may become irrecoverable or that the investment in the ordinary shares of the subsidiary undertaking would be impaired would include financial difficulties of the subsidiary undertaking, likelihood of the subsidiary undertaking's insolvency, and default or significant failure of payment under the loan agreement.

C Borrowings

Borrowings, which comprise loan notes issued to the Company's parent undertaking, are recorded at their initial fair value. Subsequently all borrowings are stated at amortised cost, using the effective interest rate method.

Accounting policies (continued)

D. Interest income and expense

Interest income receivable and interest expense payable are recognised in the balance sheet and income statement in accordance with the terms of the contractual arrangements

E. Income taxation

Income taxation comprises current and deferred taxation. Income taxation is recognised where a taxation asset or liability arises that is permitted to be recognised under generally accepted accounting principles. All identifiable taxation assets or liabilities are recognised in the income statement except to the extent that the taxation arising relates to other items recognised directly in equity, in which case such taxation assets or liabilities are recognised in equity.

F. Critical accounting judgements, key assumptions and sources of estimation uncertainty

The preparation of financial statements requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Assumptions and estimates are reviewed on an on-going basis and any revisions to them are recognised in the period the revision occurs. The following is a summary of the critical accounting policies adopted by the Company together with information about the key judgements, estimations and assumptions that have been applied.

i) Investments in Subsidiary Undertaking

The carrying value of the investment in Subsidiary Undertaking recorded in the Company's balance sheet at amortised cost could be materially reduced if the value of those assets were assessed to have been impaired. Impairment reviews are performed in the event that circumstances change which might indicate that the Investments in Subsidiary Undertakings have been impaired. In principle, such impairment reviews would consider if the loan receivable was wholly or partially irrecoverable or that the fair value of the investment in the ordinary shares of the Subsidiary Undertaking had fallen below the carrying value of that investment. Such evidence as would be considered in forming an opinion as to the full or partial recoverability of the loan receivable or impairment of the investment in the ordinary shares would include the financial difficulties experienced by the subsidiary undertaking, the likelihood of the subsidiary undertaking's insolvency, and the default or significant failure of payment under the loan agreement. In such circumstances, through the application of judgement the carrying value of the Investments in Subsidiary Undertaking would be considered and any reduction in value arising from such a review would be recorded in the income statement.

Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the investments, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired investments, together with a consideration of an appropriate discount rate to apply to those cash flows.

Accounting policies (continued)

G. Accounting developments

i) Accounting standards as applied to these financial statements

In preparing these financial statements the Company has complied with IFRS, International Accounting Standards (IAS) and Interpretations applicable either for accounting periods starting by 1 April 2013 or ending by 31 March 2014

ii) Accounting standards, amendments to standards and interpretations not yet adopted

New accounting standards, amendments to standards and interpretations which have been issued but not yet adopted by the Group are as follows

- Amendment to IFRS 1, 'First time adoption', on government loans
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation
- Amendments to IFRS 7, 'Financial instruments Disclosures' on Transfers of assets
- Amendment to IFRS 7, 'Financial instruments Disclosures', on offsetting financial assets and financial liabilities
- IFRS 9, 'Financial instruments' – classification and measurement'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'
- Amendment to IAS 12, 'Income taxes' on deferred tax
- Amendment to IAS 19, 'Employee benefits'
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendment to IAS 32, 'Financial instruments Presentation', on offsetting financial assets and financial liabilities
- IFRIC 20, 'Stripping costs in the production phase of a surface mine'

The above standards and interpretations are either not relevant to the Company's current activities or are not expected to have any significant impact on the measurement of assets or liabilities or disclosures in the financial statements

Accounting policies (continued)

	Notes	2014 £'000	2013 £'000
Interest income	2	1,632	825
Interest Expense	2	(1,632)	(825)
Net interest expense		-	-
Result attributable to equity shareholders		-	-

The notes on pages 16 to 18 form part of these financial statements

The results reported above relate to continuing operations

The Company has no recognised gains and losses other than those included in the result above and therefore no separate statement of comprehensive income has been presented

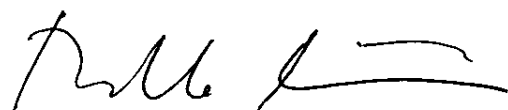
Balance sheet

As at 31 March 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Investment in Subsidiary Undertaking	4	<u>16,510</u>	<u>17,500</u>
Total non-current assets		<u>16,510</u>	<u>17,500</u>
Current assets			
Accrued Income		<u>399</u>	<u>825</u>
Total current assets		<u>399</u>	<u>825</u>
Total assets		<u>16,909</u>	<u>18,324</u>
Current liabilities			
Other payable		<u>(399)</u>	<u>(825)</u>
Total current liabilities		<u>(399)</u>	<u>(825)</u>
Non-current liabilities			
Borrowings	5	<u>(16,335)</u>	<u>(17,325)</u>
Total non-current liabilities		<u>(16,335)</u>	<u>(17,323)</u>
Total liabilities		<u>(16,734)</u>	<u>(18,149)</u>
Net assets		<u>175</u>	<u>175</u>
Equity			
Called up share capital	6	<u>175</u>	<u>175</u>
Retained earnings		<u>-</u>	<u>-</u>
Total shareholders' equity		<u>175</u>	<u>175</u>

Company number 07795885

The financial statements set out on pages 9 to 18 were approved by the Board of Directors on 25 June 2014 and were signed on its behalf by



M. Armanini,
Director

Statement of changes in equity

For the year ended 31 March 2014

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April 2012	-	-	-
Issue of ordinary shares	175	-	175
Recognised income and expense for the year	-	-	-
At 1 April 2013	<u>175</u>	<u>-</u>	<u>175</u>
Recognised income and expense for the year	-	-	-
At 31 March 2014	<u>175</u>	<u>-</u>	<u>175</u>

Cash flow statement

For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
<u>Cash flows from operating activities</u>			
Result for the year after taxation		-	-
Net cash flow generated from operating activities		-	-
<u>Cash flows from investing activities</u>			
Principal repaid		1,269	-
Interest received		1,790	-
Net cash flow generated from investing activities		3,059	-
<u>Cash flows from financing activities</u>			
Principal repaid		(1,269)	-
Interest paid		(1,790)	-
Net cash flow used in financing activities		(3,059)	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the start of the year		-	-
Cash and cash equivalents at the end of the year		-	-

Notes to the financial statements

For the year ended 31 March 2014

1. Profit attributable to Shareholders

Auditors' remuneration is borne by the subsidiary undertaking

The Directors did not receive any remuneration from the Company during the year (2013 £nil)

There were no employees in the financial year other than the Directors (2013 nil)

2. Net interest expense

Net interest expense is as tabulated below

	2014 £'000	2013 £'000
Interest income		
Interest on loan to Subsidiary Undertaking	<u>1,632</u>	<u>825</u>
Interest expense		
Interest on loan from parent undertaking	<u>(1,632)</u>	<u>(825)</u>
	<u>(1,632)</u>	<u>(825)</u>
Net interest expense	<u>-</u>	<u>-</u>

3. Taxation on ordinary activities

There is no tax charge as there were no taxable profits in the period (2013 £nil)

4. Investments in Subsidiary Undertaking

	2014 £'000	2013 £'000
Cost as at 1 April 2013	17,500	-
Additions	-	17,500
Repayments	(1,269)	-
Capitalised interest	279	-
Cost as at 31 March 2014	<u>16,510</u>	<u>17,500</u>

The investments held at 31 March 2014 comprise £175k in all of the ordinary share capital of BTW2, and £16,335k in respect of unsecured Loan Notes 2032

Notes to the financial statements (continued)

For the year ended 31 March 2014

4. Investments in Subsidiary Undertakings (continued)

The principal activity of Blue Transmission Walney 2 Limited is to provide an electricity transmission service to NGET

The results of the subsidiary undertaking for the year ended 31 March 2014 were as follows

	2014 £'000	2013 £'000
Profit for the year	1,729	502
Capital and Reserves	(4,844)	(13,671)

5. Borrowings

The following table analyses Company borrowings

	2013 £'000	2012 £'000
Non-current		
Amounts owed to parent undertaking	16,335	17,325

Total borrowings are repayable as follows

In more than five years other than by instalments	<u>16,335</u>	<u>17,325</u>
	<u>16,335</u>	<u>17,325</u>

The amount owed to parent undertaking is unsecured, and carries a fixed coupon of 9.9% per annum. This loan is contractually repayable on 31 October 2032.

All borrowings are carried at amortised cost.

There have been no instances of default or other breaches of the terms of the loan agreement during the year in respect of the loan outstanding at 31 March 2014 (2013: n/a).

Notes to the financial statements (continued)

For the year ended 31 March 2014

6. Called up share capital

Share capital is as analysed below

	No (thousands)	£'000
Allotted, called up and fully paid		
At 1 April 2013	175	175
Issue of shares	-	-
At 31 March 2014	175	175

The Company has one class of Ordinary Share with a nominal value of £1 each which carries no right to fixed income. The holders of Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Group.

7. Related party transactions

A summary of funding transactions with the immediate parent undertaking is shown below

	2014 £'000	2013 £'000
Borrowings from immediate parent undertaking (principal)		
At 1 April 2013	17,325	-
Additions	-	17,325
Repayments	(1,269)	-
Capitalised interest	279	17,325
At 31 March 2014	16,335	17,325

Borrowings from the immediate parent undertaking were negotiated on normal commercial terms and are repayable in accordance with the terms of the unsecured 9.9% loan notes 2032. Repayments of interest and principal were made during the year which amounted to £3,059k (2013: £nil).

No amounts have been provided at 31 March 2014 (2013: £nil), and no expense was recognised during the year (2013: £nil) in respect of bad or doubtful debts for any related party transactions.

8. Ultimate parent company

Blue Transmission Walney 2 (Holdings) Limited's immediate parent Company is Blue Transmission Walney 2 (Investments) Limited. The ultimate controlling party is Blue Transmission Investments Limited (incorporated in Jersey). Blue Transmission Investments Limited consolidates the accounts of the Company.