

Beatrice Offshore Windfarm Limited

Directors report and financial statements

Year ended 31 March 2016

Registered No.: SC350248

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Beatrice Offshore Windfarm Limited

Contents

	Page No.
Directors and other information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	6
Independent auditor's report to the members	7
Income statement	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statements	11
Notes on the financial statements	12

Beatrice Offshore Windfarm Limited

Directors and Other Information

Directors

P. Cooley
R. Escott (resigned 01 September 2016)
F. McCutcheon
R. Bonnar (resigned 30 September 2016)
H. Zhang (appointed 20 May 2016)
C. Sorensen
T. Smed
M. Seaton (resigned 21 January 2016)
P. Gomez-Acebo (appointed 21 July 2015, resigned 20 May 2016)
J. Smith (appointed 1 September 2016)
A. Donaldson (appointed 3 October 2016)
A. Collar (resigned 20 July 2015)

Registered office

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ
Scotland

Secretary

P. Murphy

Auditor

KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Banker

Sumitomo Mitsui Banking Corporation Europe Limited
98 Queen Victoria Street
London
EC4V 3EH

Registered number

SC350248

Beatrice Offshore Windfarm Limited

Strategic Report

The directors submit their report and audited financial statements of the company for the year ended 31 March 2016.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of Beatrice Offshore Windfarm Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of Beatrice Offshore Windfarm Limited (the "Company") during the year ended 31 March 2016, as well as those matters which are likely to affect its future development and performance.

1 Principal activities

The company is engaged in the development with a view to the construction and operation of a 588MW offshore windfarm in Scottish territorial waters.

As at 31 March 2016 the company was a joint venture between SSE Beatrice Offshore Windfarm Holdings Limited (40%), Beatrice Wind Limited (*formerly Repsol Beatrice Limited*) (25%), CI Beatrice I Limited (17.5%) and CI Beatrice II Limited (17.5%).

During the year ended 31 March 2016 the principal windfarm development activities comprised: refining the engineering; negotiating construction and operating contracts; consenting and permitting related activities; and undertaking the process of raising the external debt finance to construct the windfarm including the selection of a club of lenders to provide the debt finance.

The company engaged legal, financial and technical advisers to support it in these activities.

2 Business review

The profit and loss account for the year ended 31 March 2016 is set out on page 8. The profit for the year after taxation amounted to £nil (*2015: profit of £nil*). The balance sheet at 31 March 2016 is set out on page 9 and indicates net assets of £nil (*2015: net assets of £nil*).

Business performance overview

The key milestones the company was working towards during the year were the conclusion of all main construction and operating contracts and the achievement of *Financial Close*, being the point at which all finance required to fund the project is committed and all hedging instruments are in place. By the year end the company had reached near conclusion on all main contracts and its financing arrangements.

In addition to the ongoing development of the offshore windfarm the company was required to meet the Milestone Requirement under each of its Investment Contracts by 31 March 2016 in order to ensure the Investment Contracts were not terminated at this date. The company met the Milestone Requirements by 31 March 2016 and subsequently received formal written notification of this from the Investment Contracts counterparty.

Beatrice Offshore Windfarm Limited

Strategic Report *(continued)*

Results & performance

3 Key performance indicators

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the company is performing.

Financial	2016	2015	% change
Fixed assets	160.9	36.8	337.2
Capital Investment (Shareholders' Loans)	188.6	45.4	315.4

Principal risks and uncertainties

The principal risks facing the company in the short-term are failure to achieve the milestones under the Investment Contract, failure to secure the financing necessary to construct the project, cost overruns on the wind farm construction, operational cost over-runs and having no off-take for the electricity produced when constructed. To mitigate against these risks, the directors of the company have:

- Ensured the project is sufficiently well developed to i) enable the Milestone Requirement under each Investment Contract to be met by the deadline of 31 March 2016 and ii) achieve Financial Close in the first half of 2016 to maintain progress on the programme to commercial operations.
- Appointed advisers to support the selection of a club of lenders for the project and support negotiations of the commercial terms of the proposed financing.
- Resolved to put in place three fixed price contracts for the construction of the wind farm. These comprise a Marine Installation Contract with Subsea 7 Plc, a Turbine Supply Agreement Siemens Wind Power and a Transmission contract with a joint venture between Siemens Transmission and Distribution Ltd and Nexans AS. The Turbine Supply Agreement was signed during the year ended 31 March 2016.
- Resolved to put in place a long term Service and Warranty Agreement with the turbine supplier. This agreement was signed during the year ended 31 March 2016.
- Resolved to enter into four long term purchase agreements to sell electricity generated from the wind farm once completed. Two of these agreements are with SSE Energy Supply Limited and two are with Danske Commodities A/S. These agreements were signed during the year ended 31 March 2016.

The company is aware of the political uncertainty following the referendum held on 23 June 2016 where the UK voted to leave the European Union. This is being closely monitored by the company but is not considered to have a significant impact on the accounts for the year ended 31 March 2016.

On behalf of the board



J. Smith
Director

29 November 2016

Beatrice Offshore Windfarm Limited

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2016.

Reporting requirements on the Company's principal activities and future developments, its principal risks and uncertainties and its key performance indicators can be found in the Strategic Report on page 2.

1 Proposed dividend

The directors do not recommend the payment of a dividend (2015: *Nil*).

2 Directors

The directors and secretary who served during the year are as listed on page 1. In accordance with the Articles of Association of the company the directors are not required to retire by rotation.

3 Political and charitable donations

The company did not make any political or charitable donations during the year (2015: *Nil*).

4 Post balance sheet events

In May 2016 the Beatrice Offshore Windfarm Limited project reached Financial Close, being the point at which all finance required to fund the project is committed and all hedges are in place.

Loan amounts to SSE Beatrice Offshore Windfarm Holdings Limited, CI Beatrice I Limited, CI Beatrice II Limited and Beatrice Wind Limited due from the company as at 31 March 2016 have since been repaid.

Financial Close of the project resulted in a change of the ownership structure of Beatrice Offshore Windfarm Limited. In February 2016 Beatrice Offshore Windfarm Holdco Limited was incorporated as a holding company with the purpose of holding 100% of the share capital in Beatrice Offshore Windfarm Limited and being owned by the existing shareholders of Beatrice Offshore Windfarm Limited. In April 2016 the share capital held in Beatrice Offshore Windfarm Limited by SSE Beatrice Offshore Windfarm Holdings Limited, CI Beatrice I Limited, CI Beatrice II Limited and Beatrice Wind Limited was transferred to Beatrice Offshore Windfarm Holdco Limited and the four shareholders were prescribed 40%, 17.5%, 17.5% and 25% respectively of the share capital in Beatrice Offshore Windfarm Holdco Limited. All loan notes pertaining to the shareholders and associated amounts due from Beatrice Offshore Windfarm Limited were novated such that any loan principal and accrued loan interest due to the shareholders was now due from Beatrice Offshore Windfarm Holdco Limited.

Following Financial Close, 100% of the share capital in Beatrice Offshore Windfarm Limited was transferred to The Bank of Tokyo-Mitsubishi UFJ Limited, pursuant to a shares pledge granted by Beatrice Offshore Windfarm Holdco Limited in favour of The Bank of Tokyo-Mitsubishi UFJ Limited. Although the shares are legally transferred and any search at Companies House would show The Bank of Tokyo-Mitsubishi UFJ Limited as the shareholder of Beatrice Offshore Windfarm Limited, the beneficial interest in the shares remains with Beatrice Offshore Windfarm Holdco Limited. The legal transfer of shares under a shares pledge is made in security only. All the rights and powers attached to the shares remain with Beatrice Offshore Windfarm Holdco Limited – until an event of default has occurred and is continuing and an enforcement notice has been made by The Bank of Tokyo-Mitsubishi UFJ Limited to Beatrice Offshore Windfarm Holdco Limited.

5 Future developments

The company is currently constructing a 588MW (84 turbine) windfarm. The construction is expected to take two to three years to complete.

6 Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Beatrice Offshore Windfarm Limited

Directors' Report (*continued*)

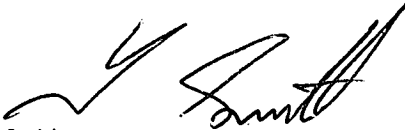
7 Going concern

Having made enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the company as a whole has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

8 Auditor

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

On behalf of the Board:



J. Smith
Director

29 November 2016

Beatrice Offshore Windfarm Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

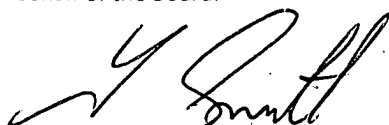
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2006.

On behalf of the Board:



J. Smith
Director

29 November 2016

Independent Auditor's Report to the Members of Beatrice Offshore Windfarm Limited

We have audited the financial statements of Beatrice Offshore Windfarm Limited for the year ended 31 March 2016 as set out on pages 8 to 21, which comprise the Income Statement, the Balance Sheet, the Statement of changes in Equity, Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial reporting Standards (IFRS) as adopted by the European Union.

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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2016 and of its result for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

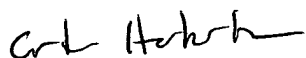
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

29 November 2016

Beatrice Offshore Windfarm Limited

Income Statement for the year ended 31 March 2016

	Note	2016 £m	2015 £m
Revenue	2	-	0.1
Cost of sales		-	(0.1)
Gross profit		-	-
Operating expenses	3	(0.4)	-
Other operating income		0.4	-
Operating profit	3	-	-
Taxation	4	-	-
(Loss)/profit for the financial year		-	-

Continuing operations

The above results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

Total other comprehensive income

The company had no other comprehensive income in the current or prior financial years.

Beatrice Offshore Windfarm Limited

Balance Sheet as at 31 March 2016

	Note	2016 £m	2015 £m
Non-current assets			
Property, plant and equipment	5	<u>160.9</u>	<u>36.8</u>
		160.9	36.8
Current assets			
Trade and other receivables:			
amounts falling due within one year	6	<u>16.6</u>	<u>1.0</u>
Cash and cash equivalents		<u>19.9</u>	<u>15.6</u>
		36.5	16.6
Total assets		<u>197.4</u>	<u>53.4</u>
Current liabilities			
Trade and other payables:			
amounts falling due within one year	8	<u>(197.4)</u>	<u>(8.0)</u>
		(197.4)	(8.0)
Non-current liabilities			
Trade and other payables:			
amounts falling due after more than one year	9	<u>-</u>	<u>(45.4)</u>
		-	(45.4)
Net assets		<u>-</u>	<u>-</u>
Equity			
Share capital	11	<u>-</u>	<u>-</u>
Retained Earnings		<u>-</u>	<u>-</u>
Total equity		<u>-</u>	<u>-</u>

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Directors on 25 November 2016 and signed on their behalf by:



J. Smith
Director

Company registered number: SC350248

Beatrice Offshore Windfarm Limited

Statement of changes in equity for the year ended 31 March 2016

	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2014	-	-	-
Balance as at 31 March 2015	-	-	-
Balance as at 1 April 2015	-	-	-
Balance as at 31 March 2016	-	-	-

Beatrice Offshore Windfarm Limited

Cash flow statement for the year ended 31 March 2016

	Note	2016 £m	2015 £m
Net cash outflow from operating activities	12	(14.8)	5.1
Cash flows from investing activities			
Purchase of tangible fixed assets		(124.1)	(17.9)
Net cash flow from investing activities		<u>(124.1)</u>	<u>(17.9)</u>
Cash flows from financing activities			
New borrowings		143.2	27.0
Net cash flow from financing activities		<u>143.2</u>	<u>27.0</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		4.3	14.2
Net cash at start of the year		<u>15.6</u>	<u>1.4</u>
Net cash at end of the year		<u>19.9</u>	<u>15.6</u>

Beatrice Offshore Windfarm Limited

Notes on the Financial statements for the year ended 31 March 2016

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but has made amendments, where necessary, in order to comply with the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and are in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Financial assets

Financial assets are shown at cost less provision for any impairment in value.

Income from Financial assets is recognised in the profit and loss account in the year in which it is receivable.

Dividend income is recognised in the Profit and Loss account, when the right to receive payment is established.

Debt and debt finance costs

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in the year.

Turnover

Turnover, which arises from the provision of wind data, is generated solely in the United Kingdom and is exclusive of Value Added Tax.

Taxation

The charge for taxation is based on the loss for the year and takes into account deferred taxation.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable profits from which future reversals of the underlying temporary differences can be deducted.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

Tangible fixed assets

(i) Tangible fixed asset disclosure

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provisions for impairment. Assets under construction are recorded at cost. Interest on borrowings related to the financing of major capital projects is capitalised during the construction period as part of the cost of the project. Capitalisation will cease when the asset enters operational service.

Assets under construction that are commissioned and enter operation in the financial year are transferred from relevant column to the appropriate category of assets in the table. Capital additions in the year comprise additions to assets still in construction, additions to commissioned operational assets and other directly incurred capital costs. The disclosure has been adopted to improve the relevance of the table to users and for consistency with internal reporting.

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly.

(ii) Depreciation

Assets in development are recorded at cost. Depreciation of assets in construction commences when the asset is placed in service. Interest on borrowing and arrangements fees related to the financing of major capital projects are capitalised during construction, as part of the cost of the project. Capitalisation of these interest costs ceases when the asset is ready for service.

(iii) Capitalised interest

Interest directly attributable to the acquisition, construction or production of major capital projects, which are projects that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use, and depreciated as part of the total cost over the useful life of the asset.

Finance and operating leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in payables. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Interest

Interest income is recognised as income in the year in which it is earned. Interest expense is recognised as an expense in the year in which it is incurred.

Interest receivable represents funds received on money invested and is recognised in the profit or loss in the year to which it relates.

Interest incurred on borrowings to finance the construction of the new extension has been capitalised as part of the cost of the asset. On completion of the construction of the plant the interest incurred on borrowings is charged to the Profit and Loss Account in the year in which it accrues.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

Foreign currency

The financial statements are presented in pounds sterling, which is the functional currency of the Company.

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date or, where appropriate, the rates of exchange in related forward exchange contracts.

Gains and losses arising from changes in exchange rates subsequent to the dates of transactions are included in the profit and loss account.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to these financial statements.

Derivative financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Receivables

Receivables do not carry any interest and are measured at cost (less an appropriate allowance for irrecoverable balances).

Interest-bearing loans and borrowings

All such loans and borrowings are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost, except where the loan or borrowing is the hedged item in an effective fair value hedge relationship.

Share capital

Ordinary shares are accounted for as equity. Costs associated with the issue of new shares are deducted from the proceeds of issue.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2016

2 Revenue

Turnover, which arises from the provision of wind data, is generated solely in the United Kingdom.

3 Expenses and auditor's remuneration

Operating profit is arrived at after charging/(crediting):

	2016 £m	2015 £m
Other operating income	(0.4)	-
Operating expenses	0.4	-

Other operating income is a grant awarded by Scottish Enterprise of £350,000. The grant was awarded for expenditure on the project previously incurred and as such has been expensed against the capitalised value of the Beatrice project.

	2016 £000	2015 £000
Audit of these financial statements	10.0	-

The audit fee in the previous year was borne by the Parent company at the time, £10,000 of this was in relation to the audit of Beatrice Offshore Windfarm Limited.

4 Taxation

	2016 £m	2015 £m
UK corporation tax		
Current tax on income for the period	-	-
Adjustment in respect of prior periods	-	-
Total current tax charge	-	-
Deferred tax:		
Adjustment in respect of prior periods	-	-
Total deferred tax	-	-
Total tax on profit on ordinary activities	-	-

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2016 £m	2015 £m
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 21%)	-	1.1
Effects of:		
Non taxable income	-	(1.1)
Total tax charge for year	-	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

5 Property, plant and equipment

	Assets under the course of construction (AUC) £m	Total £m
Cost:		
At 1 April 2015	36.8	36.8
Additions	124.1	124.1
At 31 March 2016	<u>160.9</u>	<u>160.9</u>
Net book value:		
At 31 March 2016	<u>160.9</u>	<u>160.9</u>
At 31 March 2015	<u>36.8</u>	<u>36.8</u>
	Assets under the course of construction (AUC) £m	Total £m
Cost:		
At 1 April 2014	18.9	18.9
Additions	17.9	17.9
At 31 March 2015	<u>36.8</u>	<u>36.8</u>
Net book value:		
At 31 March 2015	<u>36.8</u>	<u>36.8</u>
At 31 March 2014	<u>18.9</u>	<u>18.9</u>

The above tangible fixed assets include £5,728,955 (2015: £1,877,837) of capitalised interest, of which £3,851,118, was capitalised in the current year (2015: £1,042,224).

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2016

6 Trade and other receivables

	2016 £m	2015 £m
Amounts falling due within one year:		
Other receivables	16.6	1.0
	<u>16.6</u>	<u>1.0</u>

7 Cash and cash equivalents

Included in cash at bank and in hand are amounts totalling £nil (2015: £nil) of restricted cash balances held on deposit.

	2016 £m	2015 £m
Cash and cash equivalents	<u>19.9</u>	<u>15.6</u>

8 Trade and other payables: amounts falling due within one year

	2016 £m	2015 £m
Trade payables	3.1	0.4
Accruals and deferred income	5.7	7.6
Loan - Beatrice Wind Limited	45.6	-
Loan - CI Beatrice I Limited	32.0	-
Loan - CI Beatrice II Limited	32.0	-
Loan - SSE Beatrice Offshore Windfarm Holdings Limited	79.0	-
	<u>197.4</u>	<u>8.0</u>

9 Trade and other payables: amounts falling due after more than one year

	2016 £m	2015 £m
Long-term loan - Beatrice Wind Limited	-	11.2
Long-term loan - SSE Beatrice Offshore Windfarm Holdings Limited	-	22.8
Long-term loan - CI Beatrice I Limited	-	5.7
Long-term loan - CI Beatrice II Limited	-	5.7
	<u>-</u>	<u>45.4</u>

Loans and borrowings relates to amounts owed to investing companies, SSE Beatrice Offshore Windfarm Holdings Limited, Beatrice Wind Limited, CI Beatrice I Limited and CI Beatrice II Limited.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2016

10 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings which are held at amortised cost.

	2016 £m	2015 £m
Creditors: falling due within less than one year		
6% Shareholder loan - SSE Beatrice Offshore Windfarm Holdings Limited	79.0	-
6% Shareholder loan - Beatrice Wind Limited	45.6	-
6% Shareholder loan - CI Beatrice I Limited	32.0	-
6% Shareholder loan - CI Beatrice II Limited	32.0	-
	<u>188.6</u>	<u>-</u>
Creditors: falling due within one and five years		
6% Shareholder loan - SSE Beatrice Offshore Windfarm Holdings Limited	-	22.8
6% Shareholder loan - Beatrice Wind Limited	-	11.2
6% Shareholder loan - CI Beatrice I Limited	-	5.7
6% Shareholder loan - CI Beatrice II Limited	-	5.7
	<u>-</u>	<u>45.4</u>

11 Share capital

	2016 £	2015 £
Equity:		
Allotted, called up and fully paid:		
10,000 ordinary shares of £0.01 each	<u>100</u>	<u>100</u>

12 Reconciliation of operating profit to operating cash flow

	2016 £m	2015 £m
Cash flows from operating activities		
(Loss)/Profit for the year	-	-
((Increase)/decrease) in receivables	(15.6)	(0.1)
Increase in payables	0.8	5.2
Net cash outflow from operating activities	<u>(14.8)</u>	<u>5.1</u>

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2016

13 Derivatives and financial instruments

Risk

(i) Liquidity risk

Liquidity risk derives from the risk the Company will not be able to meet its financial obligations as they become due. The company is reliant upon the ultimate parent companies to assist in meeting those financial obligations. The ultimate parent companies can be exposed to significant movement in their liquidity positions due to changes in commodity prices, working capital requirements and the impact of the seasonal nature of the business.

The following are the contractual cash flows of financial liabilities, including estimated interest payments and excluding the effects of netting agreements:

	2016	2016	2016	2016	2015	2015	2015	2015
	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years
Non-derivative financial liabilities	£m	£m	£m	£m	£m	£m	£m	£m
Shareholder loans	188.6	188.6	188.6	-	45.4	45.4	-	45.4

(ii) Fair values

The fair values of the Company's financial assets and financial derivatives, and the carrying amounts in the balance sheet are analysed below. Balances included in the analysis of primary financial assets and liabilities include cash and cash equivalents, loans and borrowings, trade and other receivables, trade and other payables and provisions, all of which are disclosed separately. Own use commodity contracts are not considered to be financial instruments.

Summary fair values

The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	2016 Carrying value £m	2016 Fair Value £m	2015 Carrying value £m	2015 Fair Value £m
Financial Assets				
Trade and other receivables	16.6	16.6	1.0	1.0
Cash and cash equivalents	19.9	19.9	15.6	15.6
Financial Liabilities				
Trade and other payables	8.8	8.8	8.0	8.0
Shareholder loans	188.6	188.6	45.4	45.4

Fair values have been determined with reference to closing market prices.

Unless otherwise stated, carrying value approximates fair value.

Basis of determining fair value

Closing rate market values have been used to determine the fair values of the interest rate and foreign currency contracts and denominated long-term fixed rate debt. Estimates applied reflect the management's best estimates of these factors.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2016

14 Capital commitments

(i) Capital expenditure

	2016 £m	2015 £m
Contracted but not provided for	8.4	25.1

15 Related party transactions

The Beatrice project is a joint venture of SSE Beatrice Offshore Windfarm Holdings Limited, Beatrice Wind Limited, CI Beatrice I Limited and CI Beatrice II Limited, who have a shareholding of 40%, 25%, 17.5% and 17.5% respectively. To the extent not disclosed elsewhere in these financial statements, details of related party transactions and balances are summarised below.

(i) During the year, SSE Beatrice Offshore Windfarm Holdings Limited commenced the sale of a 10% (2015: 25%) shareholding in the company split equally between CI Beatrice I Limited and CI Beatrice II Limited.

(ii) Recharges have been made by SSE Renewables Development (UK) Limited (a subsidiary of SSE plc, the ultimate parent company of SSE Beatrice Offshore Windfarm Holdings Limited) during the year, for the services provided by their employees who have worked on the Beatrice project. During the year ended 31 March 2016, the company was charged £5,375,777 by SSE Renewables Development (UK) Limited in respect of these costs (2015: £nil). At the year-end £2,619,100 was due to SSE Renewables Development (UK) Limited (2015: £nil) and £349,780 was accrued (2015: £1,282,819nil).

(iii) Loans have continued to be provided by SSE Beatrice Offshore Windfarm Holdings Limited to the company during the year. At the year-end £78,992,178 was due to SSE Beatrice Offshore Windfarm Holdings Limited (2015: £22,830,839) which included capitalised interest of £1,811,137 (2015: £336,036) and loan notes of £77,181,041 (2015: £22,494,803). Interest charged at 6% resulted in interest charges on the loans during the year of £1,475,101 (2015: £336,036).

(iv) Loans have continued to be provided by Beatrice Wind Limited to the company during the year. At the year-end £45,593,709 was due to Beatrice Wind Limited (2015: £11,182,850) which included capitalised interest of £1,125,913 (2015: £155,693) and loan notes of £44,467,796 (2015: £11,027,157). Interest charged at 6% resulted in interest charges on the loans during the year of £970,219 (2015: £155,693).

(v) Recharges have been made by Beatrice Wind Limited during the year, for the services provided by their employees who have worked on the Beatrice project. During the year ended 31 March 2016, the company was charged £433,728 by Beatrice Wind Limited in respect of these costs (2015: £nil). At the year end £nil (2015: £nil) was due to Beatrice Wind Limited and £60,200 was accrued (2015: £121,975).

(vi) Loans have continued to be provided by CI Beatrice I Limited to the company during the year. At the year-end £31,993,849 was due to CI Beatrice I Limited (2015: £5,707,987) which included capitalised interest of £786,525 (2015: £84,287) and loan notes of £31,207,324 (2015: £5,623,700). Interest charged at 6% resulted in interest charges on the loans during the year of £702,238 (2015: £84,287).

(vii) Loans have continued to be provided by CI Beatrice II Limited to the company during the year. At the year-end £31,993,849 was due to CI Beatrice I Limited (2015: £5,707,987) which included capitalised interest of £786,525 (2015: £84,287) and loan notes of £31,207,324 (2015: £5,623,700). Interest charged at 6% resulted in interest charges on the loans during the year of £702,238 (2015: £84,287).

(viii) During the year, Repsol Nuevas Energias S.A. sold Red Rock Power Limited (formerly Repsol Nuevas Energias UK Limited) and its subsidiaries including Beatrice Wind Limited (formerly Repsol Beatrice Limited) to SDIC Power Holdings Co. Ltd. The sale was completed after the balance sheet date.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

16 Explanation of transition to EU IFRS from Adopted old UK GAAP

As stated in note 1, the Company's financial statements are now prepared in accordance with International Financial reporting Standards and its interpretations as adopted by the European Union (adopted IFRS).

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its EU IFRS balance sheet, no transitional adjustments were required.