

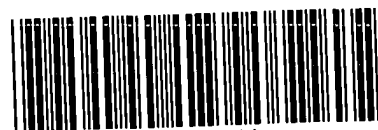
Beatrice Offshore Windfarm Limited

Annual report and financial statements

Year ended 31 March 2017

Registered No.: SC350248

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Beatrice Offshore Windfarm Limited

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Beatrice Offshore Windfarm Limited

Directors and Other Information

Directors

P. Cooley
F. McCutcheon
C. Sorensen
J. Smith (appointed 1 September 2016)
A. Donaldson (appointed 3 October 2016)
S. Toftgaard (appointed 6 February 2017)
H. Morgan (appointed 5 May 2017)
P. Gomez-Acebo (resigned 20 May 2016)
R. Escott (resigned 1 September 2016)
R. Bonnar (resigned 30 September 2016)
T. Smed (resigned 6 February 2017)
H. Zhang (appointed 20 May 2016, resigned 5 May 2017)

Registered office

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

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 2017.

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 2017, as well as those matters which are likely to affect its future development and performance.

1 Principal activities

The Company is engaged in the construction and future operations of a 588MW offshore windfarm in Scottish territorial waters.

As at 31 March 2017 100% of the share capital of the Company was held by Beatrice Offshore Windfarm Holdco Limited, a joint venture between SSE Beatrice Offshore Windfarm Holdings Limited (40%), Beatrice Wind Limited (25%), CI Beatrice I Limited (17.5%) and CI Beatrice II Limited (17.5%).

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.

Financial Close of the project resulted in a change of the ownership structure of Beatrice Offshore Windfarm Limited. In March 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 – unless and 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.

2 Business review

The income statement for the year ended 31 March 2017 is set out on page 8. The profit for the year after taxation amounted to *£nil* (2016: *profit of £nil*). The balance sheet at 31 March 2017 is set out on page 10 and indicates net assets of £3.8m (2016: *net assets of £nil*).

Business performance overview

The key milestones the Company was initially working towards 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. Financial Close was achieved on 20 May 2016 and all main contracts were in place at that point.

Following Financial Close, the main focus of the Company was on construction, fabrication and safety at all sites.

Beatrice Offshore Windfarm Limited

Strategic Report *(continued)*

2 Business review *(continued)*

Business performance overview *(continued)*

The focus of onshore work was on construction of the substation at Blackhillock, and the cable route from landfall to the substation. Construction at the substation progressed from May 2016 throughout the year. By the balance sheet date key milestones at the substation had been achieved on construction of the platform, concrete foundation pours and the perimeter fence.

The main focus of the offshore work for the generation assets was on design completion, fabrication of the wind turbine foundations (comprising piles and jackets) and achieving readiness for the initial offshore installation works. In respect of design, pile and jacket designs were approved for construction during the year. During the year the majority of the piles were fabricated, with the scope split between two sub-contractors. Jacket fabrication was ongoing throughout the year following Financial Close, with the works being undertaken by three sub-contractors. Jacket fabrication works are scheduled to continue throughout the financial year ending 31 March 2018. Readiness for the initial offshore installation was achieved during the year, with offshore installation of the piles commencing on schedule, shortly after year end in April 2017.

In respect of the transmission assets, the main focus of the offshore work was on design completion and fabrication of the piles, jackets and topsides for the two Offshore Transformer Modules (OTMs). Fabrication of the piles completed during the year and these were successfully installed shortly after year end, in April 2017. Design and fabrication of the two jackets and topsides progressed during the year, with fabrication completion and installation due to be achieved during the financial year ending 31 March 2018.

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	2017	2016	% change
Property, plant and equipment	811.7	160.9	404.5
Capital Investment (2017: External loans, 2016: Shareholders' Loans)	832.8	188.6	341.6

4 Principal risks and uncertainties

The principal risks facing the Company in the short to medium term are cost overruns, delays to construction of the windfarm, and the increased safety risk of persons working on the project now that construction has commenced. To mitigate against these risks, the directors of the Company have:

- Resolved to put in place three fixed price contracts for the construction of the windfarm. These comprise a Marine Installation contract with Subsea 7 Plc, a Turbine Supply Agreement with Siemens Wind Power and a Transmission contract with a joint venture between Siemens Transmission and Distribution Limited and Nexans Norway AS. The Turbine Supply Agreement was signed during the year ended 31 March 2016 and the Marine Installation and Transmission contracts were signed during the year ended 31 March 2017 before Financial Close;
- Implemented review and reporting processes to measure both spend and construction progress on all main contracts against what was forecast at Financial Close;
- Appointed SSE Renewables Development (UK) Ltd, an affiliate of SSE Beatrice Offshore Windfarm Holdings Limited, as the construction manager; and
- Ensured that SSE Renewables Development (UK) Ltd as the construction manager has employed experienced personnel to monitor safety on the project; and implemented a comprehensive safety regime including staff safety training, a programme of site visits by senior project personnel and incident reporting protocols.

Beatrice Offshore Windfarm Limited

Strategic Report *(continued)*

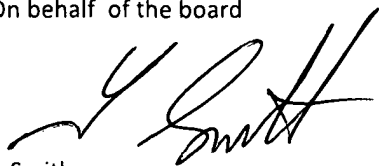
4 Principal risks and uncertainties *(continued)*

The longer term risks affecting the Company are the operations and maintenance of the windfarm and having no off-take for the electricity produced when constructed. To mitigate against these risks, the directors of the Company have:

- Appointed SSE to provide effective operations and maintenance management services; and
- Resolved to put in place 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 which remains 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 2017.

On behalf of the board



J. Smith
Director

26 October 2017

Beatrice Offshore Windfarm Limited

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2017.

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 (2016: *£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 (2016: *£nil*).

4 Post balance sheet events

There have been no significant events since the balance sheet date.

5 Future developments

The Company is currently constructing a 588MW (84 turbine) windfarm. The construction is expected to take approximately two years to complete from 31 March 2017, with the windfarm expected to reach full operations in Spring 2019.

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.

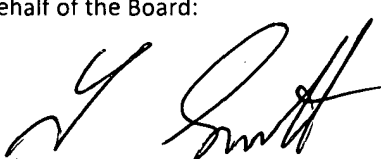
7 Going concern

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
26 October 2017

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 IFRSs 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 IFRSs 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 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 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.

On behalf of the Board:



J. Smith

Director

26 October 2017

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 2017 as set out on pages 8 to 23. 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 state of the company's affairs as at 31 March 2017 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs 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.

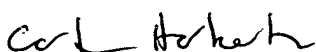
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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.



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

31 October 2017

Beatrice Offshore Windfarm Limited

Income Statement for the year ended 31 March 2017

	Note	2017 £m	2016 £m
Operating expenses	2	(0.3)	(0.4)
Other operating income		0.3	0.4
Operating profit		-	-
Profit before taxation		-	-
Tax on profit		-	-
Profit for the financial year		-	-

The above results are derived from continuing activities.

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

Beatrice Offshore Windfarm Limited

Statement of Other Comprehensive Income for the year ended 31 March 2017

	2017 £m	2016 £m
Gain of effective portion of cash flow hedges (net of tax)	3.8	-
Total other comprehensive income relating to the year	3.8	-

Beatrice Offshore Windfarm Limited

Balance Sheet as at 31 March 2017

	Note	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	3	811.7	160.9
Derivative financial assets	12	99.3	-
		<u>911.0</u>	<u>160.9</u>
Current assets			
Trade and other receivables	4	24.8	16.6
Cash and cash equivalents	5	147.2	19.9
		<u>172.0</u>	<u>36.5</u>
Total assets		<u>1,083.0</u>	<u>197.4</u>
Current liabilities			
Trade and other payables	6	(169.0)	(197.4)
		<u>(169.0)</u>	<u>(197.4)</u>
Non-current liabilities			
Trade and other payables	7	(812.8)	-
Derivative financial liabilities	12	(96.5)	-
Deferred taxation	9	(0.9)	-
		<u>(910.2)</u>	<u>-</u>
Total liabilities		<u>(1,079.2)</u>	<u>(197.4)</u>
Net assets		<u>3.8</u>	<u>-</u>
Equity			
Share capital	10	-	-
Hedge reserve		3.8	-
Total Equity		<u>3.8</u>	<u>-</u>

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

These financial statements were approved by the Directors on 26 October 2017 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 2017

	Share Capital £m	Retained Earnings £m	Hedge Reserve £m	Total Equity £m
Balance as at 1 April 2015	-	-	-	-
Balance as at 31 March 2016	-	-	-	-
Balance as at 1 April 2016	-	-	-	-
Other comprehensive income	-	-	3.8	3.8
Balance as at 31 March 2017	-	-	3.8	3.8

Beatrice Offshore Windfarm Limited

Cash flow statement for the year ended 31 March 2017

	Note	2017 £m	2016 £m
Net cash inflow/(outflow) from operating activities	11	133.9	(14.8)
Cash flow from investing activities			
Purchase of property, plant and equipment	3	(650.8)	(124.1)
Net cash flow from investing activities		(650.8)	(124.1)
Cash flow from financing activities			
New borrowings		832.8	143.2
Repayment of borrowings		(188.6)	-
Net cash flow from financing activities		644.2	143.2
Net increase in cash and cash equivalents		127.3	4.3
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		127.3	4.3
Net cash at start of the year	5	19.9	15.6
Net cash at end of the year	5	147.2	19.9

Beatrice Offshore Windfarm Limited

Notes on the Financial statements for the year ended 31 March 2017

1 Significant accounting policies

Beatrice Offshore Windfarm Limited (the "Company") is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC350248 and the registered address is Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ.

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, other than derivative financial instruments which are stated at fair value, 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 income statement in the year in which it is receivable.

Dividend income is recognised in the income statement, when the right to receive payment is established.

Debt and debt finance costs

Debt is stated at the amount of the initial proceeds. The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in the year.

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.

Grant income

Grant income is recognised in the income statement and the related costs, previously capitalised on the balance sheet, are expensed in the income statement.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

1 Significant accounting policies *(continued)*

Going Concern

The directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on the going concern basis.

Property, plant and equipment

(i) Property, plant and equipment disclosure

Property, plant and equipment 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.

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.

On completion of the construction of the plant the interest-incurred on borrowings is charged to the income statement in the year in which it accrues.

Foreign currency

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 income statement, except for differences arising on the revaluation of qualifying cash flow hedges, which are recognised in other comprehensive income.

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

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

1 Significant accounting policies *(continued)*

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 flow hedges

A financial instrument recognised as a 'cash flow' hedge recognises the portion of gains or losses on the financial instrument which are deemed to be effective directly in equity in the hedge reserve. An ineffective portion of the gains and losses is recognised in the income statement. The gains or losses that are recognised directly in equity are transferred to the income statement in the same year in which the forecast transaction actually occurs.

Non- derivative financial instruments

i) 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.

ii) Trade and other receivables

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

iii) Trade and other payables

Trade and other payables do not carry any interest and are measured at cost.

iv) 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 2017

2 Expenses and auditor's remuneration

Included in profit/(loss) are the following:

	2017 £m	2016 £m
Other operating income	0.3	0.4
Operating expenses	<u>(0.3)</u>	<u>(0.4)</u>

Other operating income includes grant funding from The Carbon Trust of £0.27m (2016: £nil) and a grant awarded by Scottish Enterprise of £0.04m (2016: £0.4m). Grant funding was awarded for expenditure on the project previously incurred and as such has been expensed against the capitalised value of the Beatrice project.

	2017 £000	2016 £000
Audit of these financial statements	<u>8.0</u>	<u>10.0</u>

3 Property, plant and equipment

	Assets under the course of construction (AUC) £m	Total £m
Cost:		
At 1 April 2016	160.9	160.9
Additions	650.8	650.8
At 31 March 2017	<u>811.7</u>	<u>811.7</u>

Net book value:		
At 31 March 2017	<u>811.7</u>	<u>811.7</u>
At 31 March 2016	<u>160.9</u>	<u>160.9</u>

	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>

The above property, plant and equipment include £20.8m (2016: £5.7m) of capitalised interest, of which £15.0m was capitalised in the current year (2016: £3.9m).

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

4 Trade and other receivables

	2017 £m	2016 £m
Amounts falling due within one year:		
Trade receivables	0.3	-
Other receivables	24.5	16.6
	<u>24.8</u>	<u>16.6</u>

5 Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	<u>147.2</u>	<u>19.9</u>

Included in cash and cash equivalents are amounts totalling £nil (2016: £nil) of restricted cash balances held on deposit.

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

	2017 £m	2016 £m
Loans and borrowings	20.0	-
Trade payables	74.9	3.1
Accruals and deferred income	74.1	5.7
Loan - Beatrice Wind Limited	-	45.6
Loan - CI Beatrice I Limited	-	32.0
Loan - CI Beatrice I Limited	-	32.0
Loan - SSE Beatrice Offshore Windfarm Holdings (UK) Limited	-	79.0
	<u>169.0</u>	<u>197.4</u>

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

	2017 £m	2016 £m
Loans and borrowings	<u>812.8</u>	-
	<u>812.8</u>	-

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

8 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.

	Year of Maturity	2017 £m	2016 £m
Payables: falling due within less than one year			
6% Shareholder Loan - SSE Beatrice Offshore Windfarm Holdings Limited	2016	-	79.0
6% Shareholder Loan - Beatrice Wind Limited	2016	-	45.6
6% Shareholder Loan - CI Beatrice I Limited	2016	-	32.0
6% Shareholder Loan - CI Beatrice II Limited	2016	-	32.0
VAT Facility		20.0	-
		<u>20.0</u>	<u>188.6</u>
Payables: falling due within one and five years			
Commercial Generation Facility	2034	23.8	-
European Investment Bank Facility A	2034	6.4	-
European Investment Bank Facility B	2034	8.6	-
Transmission Facilities	2020	153.6	-
		<u>192.4</u>	<u>-</u>
Payables: falling due more than five years			
Commercial Generation Facility	2034	380.8	-
European Investment Bank Facility A	2034	102.7	-
European Investment Bank Facility B	2034	136.9	-
		<u>620.4</u>	<u>-</u>
Total		<u>832.8</u>	<u>188.6</u>

All borrowing facilities with amounts outstanding at the balance sheet date charge interest at a floating rate. Such facilities were entered into upon Financial Close at which point interest rate swaps were entered into for the lifetime of all borrowings falling due after more than one year.

The VAT facility is a revolving credit facility.

9 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Derivative financial instruments	-	-	(0.9)	-	(0.9)	-
Net tax liabilities	<u>-</u>	<u>-</u>	<u>(0.9)</u>	<u>-</u>	<u>(0.9)</u>	<u>-</u>

Movement in deferred tax during the year

	01 April 2016	Recognised in equity £m	31 March 2017 £m
Derivative financial instruments	-	(0.9)	(0.9)
	<u>-</u>	<u>(0.9)</u>	<u>(0.9)</u>

There were no deferred tax assets or liabilities in the prior year.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

10 Share capital

	2017 £	2016 £
Equity:		
Allotted, called up and fully paid:		
10,000 ordinary shares of £0.01 each	100	100
	<u>100</u>	<u>100</u>

11 Reconciliation of operating profit to operating cash flow

	2017 £m	2016 £m
Reconciliation of operating profit to operating cash flows		
Increase in receivables	(8.2)	(15.6)
Increase in payables	140.2	0.8
Foreign exchange revaluation	1.9	-
Net cash inflow/(outflow) from operating activities	<u>133.9</u>	<u>(14.8)</u>

12 Derivatives and financial instruments

(i) Risk

Interest rate risk

Interest rate risk derives from the Company's exposure to changes in value of an asset or liability or future cash flows through changes in interest rates.

The Company's policy to manage this risk was at Financial Close, to enter into interest rate swaps in respect of all loans entered into at Financial Close.

Foreign exchange risk

Foreign exchange risk derives from underlying costs in foreign exchange on the construction contracts. The Company's policy to manage this risk was at Financial Close, to enter into forward exchange contracts for all known quantifiable future foreign exchange exposure within agreed contracts.

Liquidity risk

Liquidity risk derives from the risk the Company will not be able to meet its financial obligations as they become due. The ultimate parent companies can be exposed to significant movement in their liquidity positions due to macroeconomic factors, regulatory factors, changes in commodity prices and working capital requirements. At Financial Close the Company entered into financing arrangements with shareholders and external lenders for total funding sufficient to cover expected construction costs and contingencies such that the project is fully funded. To manage the liquidity risk external lenders were required to meet an acceptable credit rating threshold and the equity commitments from the shareholders are backed by security arrangements which meet an acceptable credit rating threshold.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

12 Derivatives and financial instruments *(continued)*

Liquidity risk *(continued)*

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

	2017 Carrying amount £m	2017 Contractual cash flows £m	2017 1 year or less £m	2017 1 to < 2 years £m	2017 2 to < 5 years £m	2017 5 years and over £m
Non-derivative financial liabilities						
Commercial Generation Facility	(404.6)	(598.2)	(13.0)	(9.7)	(68.9)	(506.6)
European Investment Bank Facility A	(109.1)	(155.7)	(3.0)	(2.2)	(17.6)	(132.9)
European Investment Bank Facility B	(145.5)	(210.3)	(4.2)	(3.1)	(24.1)	(178.9)
Transmission Facilities	(153.6)	(162.0)	(4.1)	(3.0)	(154.9)	
Revolving VAT Facility	(20.0)	(20.1)	(20.1)	-	-	-
	(832.8)	(1,146.3)	(44.4)	(18.0)	(265.5)	(818.4)
Derivative financial liabilities						
Interest rate swaps used for hedging	(96.5)	(96.5)	(10.7)	(10.7)	(19.6)	(55.5)
	(96.5)	(96.5)	(10.7)	(10.7)	(19.6)	(55.5)
Total financial liabilities	(929.3)	(1,242.8)	(55.1)	(28.7)	(285.1)	(873.9)
Derivative financial assets						
Forward exchange contracts used for hedging	99.3	(883.6)	(319.8)	(506.8)	(57.0)	-
	99.3	(883.6)	(319.8)	(506.8)	(57.0)	-
Net total	(830.0)	(2,126.4)	(374.9)	(535.5)	(342.1)	(873.9)

	2016 Carrying amount £m	2016 Contractual cash flows £m	2016 1 year or less £m	2016 1 to < 2 years £m	2016 2 to < 5 years £m	2016 5 years and over £m
Non-derivative financial liabilities						
Shareholder loans	(188.6)	(188.6)	(188.6)	-	-	-
	(188.6)	(188.6)	(188.6)	-	-	-
Total financial liabilities	(188.6)	(188.6)	(188.6)	-	-	-
Net total	(188.6)	(188.6)	(188.6)	-	-	-

(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.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

12 Derivatives and financial instruments *(continued)*

(ii) Fair values *(continued)*

Summary fair values

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

	2017 Carrying value £m	2017 Fair Value £m	2016 Carrying value £m	2016 Fair Value £m
Financial Assets				
Trade and other receivables	24.8	24.8	16.6	16.6
Cash and cash equivalents	147.2	147.2	19.9	19.9
Derivative financial assets	99.3	99.3	-	-
Financial Liabilities				
Shareholder loans	-	-	188.6	188.6
Trade and other payables	149.0	149.0	8.8	8.8
Loans and other borrowings	832.8	832.8	-	-
Derivative financial liabilities	96.5	96.5	-	-

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.

13 Capital commitments

Capital expenditure

	2017 £m	2016 £m
Contracted but not provided for	1,469.1	8.4

14 Related party transactions

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 loans 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.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

14 Related party transactions *(continued)*

	Loan interest charged	Purchases	Credit support costs charged	Payables outstanding due to
	2017	2017	2017	2017
	£m	£m	£m	£m
SSE Beatrice Offshore Windfarm Holdings Ltd	0.3	0.0	0.0	0.0
Beatrice Wind Ltd	0.2	0.3	0.0	0.0
CI Beatrice I Ltd	0.1	0.0	0.0	0.0
CI Beatrice II Ltd	0.1	0.0	0.0	0.0
Beatrice Offshore Windfarm Holdco Ltd	1.0	0.0	0.0	0.0
SSE Renewables Development (UK) Ltd	0.0	6.7	0.0	1.9
Burntisland Fabrications Ltd	0.0	1.1	0.0	0.0
SSE plc	0.0	0.0	2.7	0.0
Redrock Investment Ltd	0.0	0.0	1.7	0.5
Copenhagen Infrastructure I K/S	0.0	0.0	1.2	0.1
Copenhagen Infrastructure II K/S	0.0	0.0	1.2	0.1
	1.7	8.1	6.8	2.6

	Loan interest charged	Purchases	Payables outstanding due to
	2016	2016	2016
	£m	£m	£m
SSE Beatrice Offshore Windfarm Holdings Ltd	1.5	0.0	0.0
Beatrice Wind Ltd	1.0	0.4	0.1
CI Beatrice I Ltd	0.7	0.0	0.0
CII Beatrice I Ltd	0.7	0.0	0.0
SSE Renewables Development (UK) Ltd	0.0	5.4	2.9
	3.9	5.8	3.0

i) The value of loans and accrued interest held between SSE Beatrice Offshore Windfarm Holdings limited and the Company which was novated to Beatrice Offshore Windfarm Holdco Limited was £79.3m. In May 2016 prior to Financial Close, Beatrice Offshore Windfarm Limited repaid on behalf of Beatrice Offshore Windfarm Holdco Limited £16.1m of the loan notes held by SSE Beatrice Offshore Windfarm Holdings Limited. Following Financial Close, the remaining amount of £63.6m (including interest accrued since the date of novation) due to SSE Beatrice Offshore Windfarm Holdings Limited under the loans was repaid by Beatrice Offshore Windfarm Holdco Limited.

ii) The value of loans and accrued interest held between Beatrice Wind Limited and the Company which was novated to Beatrice Offshore Windfarm Holdco Limited was £45.8m. In May 2016 prior to Financial Close, Beatrice Offshore Windfarm Limited repaid on behalf of Beatrice Offshore Windfarm Holdco Limited £6.3m of the loan notes held by Beatrice Wind Limited. Following Financial Close, the remaining amount of £39.7m (including interest accrued since the date of novation) due to Beatrice Wind Limited under the loans was repaid by Beatrice Offshore Windfarm Holdco Limited.

iii) The value of loans and accrued interest held between CI Beatrice I Limited and the Company which was novated to Beatrice Offshore Windfarm Holdco Limited was £32.1m. In May 2016 prior to Financial Close, Beatrice Offshore Windfarm Limited repaid on behalf of Beatrice Offshore Windfarm Holdco Limited £4.4m of the loan notes held by CI Beatrice I Limited. Following Financial Close, the remaining amount of £27.9m (including interest accrued since the date of novation) due to CI Beatrice I Limited under the loans was repaid by Beatrice Offshore Windfarm Holdco Limited.

Beatrice Offshore Windfarm Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2017

14 Related party transactions *(continued)*

iv) The value of loans and accrued interest held between CI Beatrice II Limited and the Company which was novated to Beatrice Offshore Windfarm Holdco Limited was £32.1m. In May 2016 prior to Financial Close, Beatrice Offshore Windfarm Limited repaid on behalf of Beatrice Offshore Windfarm Holdco Limited £4.4m of the loan notes held by CI Beatrice II Limited. Following Financial Close, the remaining amount of £27.9m (including interest accrued since the date of novation) due to CI Beatrice II Limited under the loans was repaid by Beatrice Offshore Windfarm Holdco Limited.

v) During the prior year, SSE Beatrice Offshore Windfarm Holdings Limited commenced the sale of a 10% shareholding in the Company split equally between CI Beatrice I Limited and CI Beatrice II Limited. The sale was completed during the year ended 31 March 2017.

vi) During the prior 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 during the year ended 31 March 2017.

vii) 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 personnel who have worked on the Beatrice project, and other services provided under a management services agreement. During the year ended 31 March 2017, the Company was charged £6.7m by SSE Renewables Development (UK) Limited in respect of these costs (2016: £5.4m). At the year end there were payables outstanding of £1.9m due to SSE Renewables Development (UK) Limited in respect of these costs (2016: £2.9m).

viii) Recharges have been made by Beatrice Wind Limited during the year, for the services provided by personnel who have worked on the Beatrice project. During the year ended 31 March 2017, the Company was charged £0.3m by Beatrice Wind Limited in respect of these costs (2016: £0.4m). At the year end there were payables outstanding of £nil due to Beatrice Wind Limited in respect of these costs (2016: £0.1m).

ix) Following Financial Close the Company was charged by SSE plc for the credit support arranged in favour of BOWL in respect of of SSE Beatrice Offshore Windfarm Holdings Limited's, equity and loan commitments to BOWL. During the year SSE plc charged £2.7m (2016: £nil). There was a nil balance outstanding in respect of this at the balance sheet date (2016: £nil).

x) Following Financial Close the Company was charged by Redrock Investment Limited for the credit support arranged in favour of BOWL in respect of Beatrice Wind Limited's equity and loan commitments to BOWL. During the year Redrock Investment Limited charged £1.7m (2016: £nil). There was a balance of £0.5m accrued in respect of this at the balance sheet date (2016: £nil).

xi) Following Financial Close the Company was charged by Copenhagen Infrastructure I K/S for the credit support arranged in favour of BOWL in respect of CI Beatrice I Limited's equity and loan commitments to BOWL. During the year Copenhagen Infrastructure I K/S, charged £1.2m (2016: £nil). There was a balance of £0.1m accrued in respect of this at the balance sheet date (2016: £nil).

xii) Following Financial Close the Company was charged by Copenhagen Infrastructure II K/S for the credit support arranged in favour of BOWL in respect of CI Beatrice II Limited's equity and loan commitments to BOWL. During the year Copenhagen Infrastructure II K/S, charged £1.2m (2016: £nil). There was a balance of £0.1m accrued in respect of this at the balance sheet date (2016: £nil).

xiii) During the year, Beatrice Offshore Windfarm Limited made purchases of £1.1m from Burntisland Fabrications Limited (2016: £nil), in which an investment is held by SSE Venture Capital Limited, an associate of SSE Beatrice Offshore Windfarm Holdings Limited.

xiv) Under its capacity as a lender under the Commercial Generation Facility, CI Beatrice II Facility (BOWL) Limited, an affiliate of CI Beatrice II Limited, had at the balance sheet date, a balance of outstanding of £33.9m due from Beatrice Offshore Windfarm Limited. Interest charge in the year on these borrowings was £0.4m.

xv) In line with an agreement entered into by all of the Company's shareholders, no recharges have been made by the shareholders to the Company in relation to the remuneration of directors.